First Calgary Petroleums Ltd.

ANNUAL REPORT DECEMBER 31 1983

CORPORATE PROFILE

First Calgary Petroleums Ltd. is a public resource company engaged in the exploration for and development and production of petroleum and natural gas in western Canada. The Company holds varied working interests in 29 oil wells, 95 gas wells and 2 service wells throughout Alberta. The Company has a 100% Canadian Ownership Rate.

The Common shares and the 9% Series B, Convertible Preferred shares trade publicly on the Toronto and Alberta Stock Exchanges. There are 5,944,248 common shares and 471,694 preferred shares issued and outstanding and they are held by 1,105 and 329 shareholders respectively. The trading symbol for the common shares is FCP and for the preferred shares is FCPprA.

The Company was first incorporated as Long Island Petroleums Ltd. in 1949. The name was subsequently changed to Canadian Long Island Petroleums Ltd. in 1961 and finally to First Calgary Petroleums Ltd. as a result of a reorganization in July 1979 whereby Canadian Long Island acquired the oil and gas properties of Caltor Petroleums Ltd. through an exchange of shares. This was followed in April 1980 with the acquisition of 100% of the shares of Norse Explorations Ltd., the principal assets of which were contracted and producing gas reserves and producing oil reserves in Alberta.

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ANNUAL MEETING

The Annual Meeting will be held at 3:00 p.m. on Wednesday, May 30, 1984 in the Boardroom of the 400 Club, 710 - 4th Avenue S.W., Calgary, Alberta. Shareholders are encouraged to attend and those unable to do so should complete the Form of Proxy and forward it at their earliest convenience.

FINANCIAL

	6 Months to December 31, 1983	6 Months to December 31, 1982	Change
Gross oil and gas sales	$ 3,246,798	$ 2,910,636	+12%
Oil and gas sales after royalties	$ 1,954,103	$ 1,778,936	+10%
Cash flow	$ 1,424,016	$ 933,115	+53%
Cash flow per share*	$ 0.20	$ 0.12	+66%
Net earnings*	$ 417,350	$ 220,747	+90%
Earnings per share	.03	$ —	

* After deduction of prescribed dividends on preferred shares.

OPERATIONS

	6 Months to December 31, 1983	12 Months to June 30, 1983
Production (Net) before Royalty		
Oil (bbls)	77,024	146,000
Gas (mcf)	261,000	674,000

OIL AND GAS ASSETS

	As at December 31, 1983		As at June 30, 1983	
	Before Royalty	After Royalty	Before Royalty	After Royalty
CRUDE OIL AND LIQUIDS (Bbls)				
Proven Reserves	652,078	482,224	630,333	438,957
Probable Reserves	250,057	204,619	176,107	147,640
Total	902,135	686,843	806,440	586,597
NATURAL GAS (Mmcf)				
Proven Reserves	20,473	15,523	20,610	15,634
Probable Reserves	2,849	2,308	3,277	2,580
Total	23,322	17,831	23,887	18,214
LAND (Acres)				
Gross	104,858		110,378	
Net	24,097		26,562	

VALUATION OF OIL AND GAS ASSETS *(as at December 31, 1983)

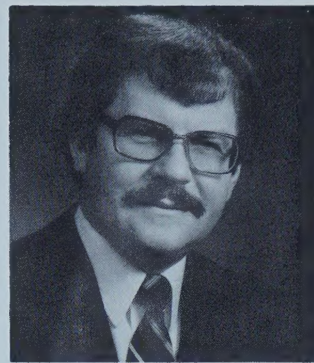
	Discounted at 0%	15%	20%
	(thousands of dollars)		
Present worth of estimated cash flow from proven and probable reserves	$ 117,382	$ 35,449	$ 27,822
Land @ estimated market value	750	750	750
TOTAL	$ 118,132	$ 36,199	$ 28,572

* Determined by management based on an independent reserve evaluation effective July 1, 1983 prepared by John P. Hunter and Associates Ltd.

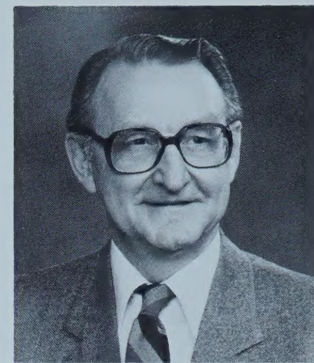
CORPORATE HIGHLIGHTS

BOARD OF DIRECTORS

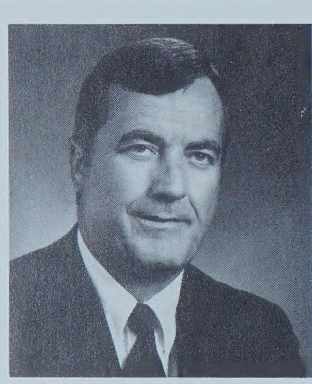
JAMES D. KADLEC
Chairman of the Board
First Calgary Petroleums Ltd.
Calgary, Alberta



HERMANN G. BESSERT
President &
Chief Executive Officer
First Calgary Petroleums Ltd.
Calgary, Alberta

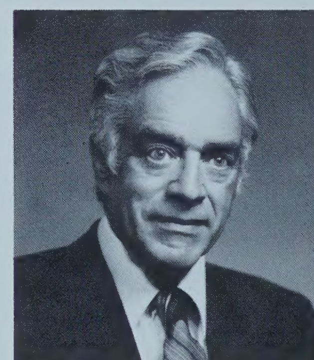


J.E. (TED) BAUGH
President,
Ted Baugh Resource
Consultants Ltd.
Calgary, Alberta

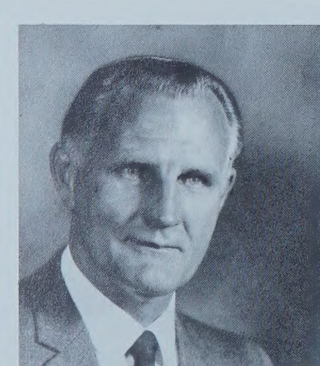


J. MICHAEL McILHARGEY
Vice President &
Chief Operating Officer
First Calgary Petroleums Ltd.
Calgary, Alberta

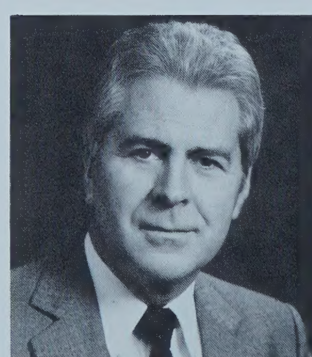
JOSEPH M. TANENBAUM
Chairman,
York Russell Inc.
Toronto, Ontario



JAMES A. COX, Q.C.
Senior Partner,
Parlee, Irving, Henning,
Mustard & Rodney
Calgary, Alberta



WILLIAM J. DEYELL
Oil & Gas Industry
Consultant
Nanoose Bay, B.C.



E. DONALD PATTEN
Executive Vice President
& Investment Chairman
Family Life Assurance Group
Calgary, Alberta

J. RONALD WOODS
Senior Vice President
Merit Investment Corporation
Toronto, Ontario

REPORT TO SHAREHOLDERS

It is with pleasure that we present to our Shareholders the 1983 Annual Report covering the period from July 1, 1983, to December 31, 1983. Your Company's year end was changed to December 31, so that our reporting period conforms with general industry practice.

We are very satisfied with the results following the redirection of your Company's activities and the establishment of a sound business plan in 1983.

Our primary objective remains the expansion of the asset base by the addition of new oil reserves which will result in increased cash flow and net earnings to our shareholders. We continue to take every possible step to improve our efficiency and productivity so that a lean and performance oriented structure will assist us in achieving a prudent growth program.

During the six month period ended December 31, 1983, your Company made notable progress in the following areas:

FINANCIAL

- gross revenue increased by 12% to $3,246,798
- net earnings increased by 90% to $417,350
- cash flow increased by 53% to $1,424,016

These changes relate to the six month period ended December 31, 1982 and are not necessarily indicative of future performance.

Bank loans decreased from $8,560,000 at June 30, 1983 to $8,237,597 at December 31, 1983

OPERATIONS

- compared to the year ended June 30, 1983 oil reserves, on a proven and probable basis, increased by over 10%, based on internal evaluations;
- positive events, such as an increase in the minimum allowable oil production level and the granting of gas oil ratio penalty relief, have significantly improved the economics of your Company's investment in the Garrington area, as well as other oil producing properties;
- capital expenditures amounted to $1,122,389;
- participation in the drilling of 6 wells in the Garrington, Ferrier, Keystone and Olds areas.

CORPORATE

- Your Company's investment in Lathwell Resources Ltd. was enhanced following the successful launching of a public underwriting. A group of internationally known mining executives form Lathwell's management team, giving our shareholders an attractive exposure to the mining of precious metals.
- Several acquisition opportunities are under careful review.

Since the introduction of the National Energy Program in 1981, there has been an increased awareness, at all levels of government, as to the importance of the oil and gas industry to the Canadian economy. This has been reflected in beneficial changes to various tax and royalty regimes, thereby increasing revenues available for reinvestment. These positive changes in the political environment give us reason to be cautiously optimistic about the future prospects for our industry in Canada. Within the context of the above and the current economic environment, we are confident in the development and growth of your Company based upon our financial and managerial strengths.

Again, we wish to express our sincere appreciation to our Board of Directors and employees whose continued dedication is responsible for our success.

We look to fiscal 1984 with enthusiasm.

Respectfully submitted,

James D. Kadlec
Chairman of the Board

Hermann G. Bessert
President and
Chief Executive Officer

April 16, 1984
Calgary, Alberta

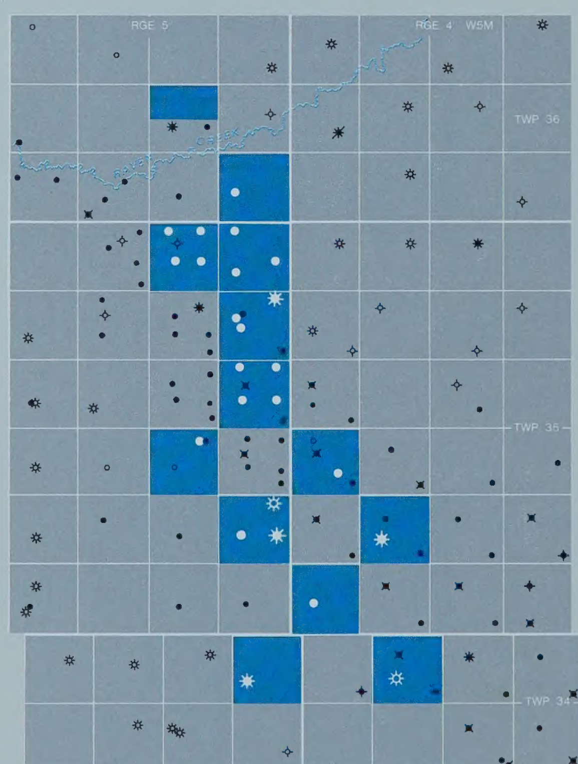
GARRINGTON

The Company's working interests in the Garrington area, situated in west central Alberta, vary from 6.25% to 12.5%.

The 8,000 gross acres, in which the Company participates, provides multi-zone potential for both oil and gas production.

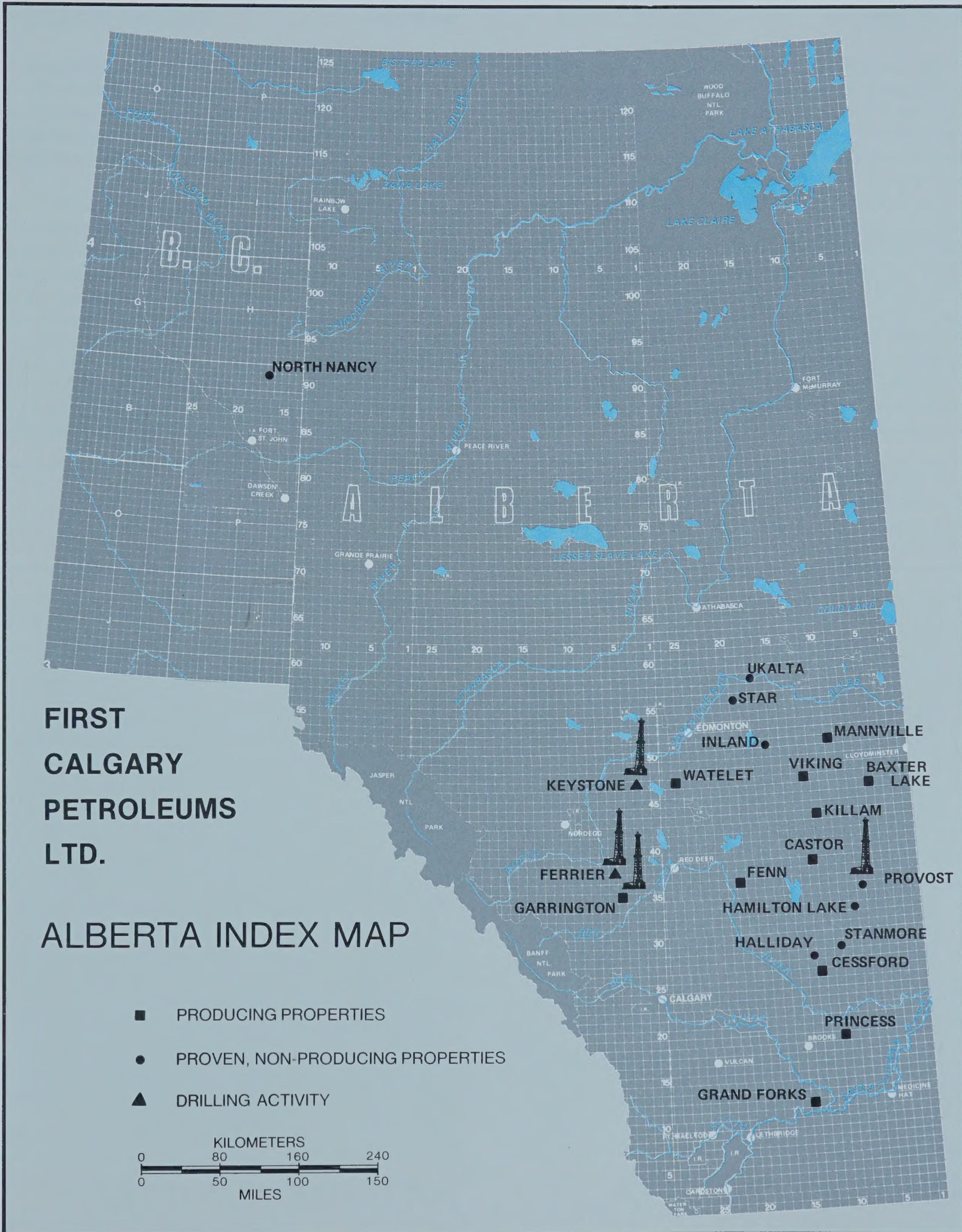
First Calgary now has interests in a total of 24 wells on this prospect, all of which have encountered oil and/or gas from producing horizons ranging from the Cretaceous Cardium, Second White Specks, Viking, Glauconitic and Ostracode formations as well as from the deeper Mississippian Elkton formation. All oil produced qualifies for New Oil Reference Price (NORP) pricing, yielding the maximum revenues possible under Canada's current oil and gas pricing mechanism.

The Company and its partners made a submission to the Energy Resources Conservation Board for Gas Oil Ratio Penalty Relief, which was granted subsequent to year end, effective February 1, 1984. This, combined with the recently announced changes to Basic Oil Well Rates which provided for increased production allowables, will significantly enhance the Company's cash flow from this project. Further development drilling in this area is projected for 1984.



GARRINGTON AREA, ALBERTA

FIRST CALGARY ACREAGE	OIL WELL	CARDIUM WELL (NO COMPANY INTEREST)
LOCATION	OIL AND GAS WELL	DRY AND ABANDONED
GAS WELL	ABANDONED OIL WELL	INJECTION WELL


FIRST
CALGARY
PETROLEUMS
LTD.
ALBERTA INDEX MAP
PRODUCING PROPERTIES
PROVEN, NON-PRODUCING PROPERTIES
DRILLING ACTIVITY
KILOMETERS
0
80
160
240
0
50
100
150
MILES
B.C.
ALBERTA
NORTH NANCY
UKALTA
STAR
MANNVILLE
INLAND
EDMONTON
VIKING
BAXTER LAKE
KEYSTONE
WATELET
KILLAM
CASTOR
FERRIER
FENN
PROVOST
GARRINGTON
HAMILTON LAKE
HALLIDAY
STANMORE
CESSFORD
CALGARY
PRINCESS
GRAND FORKS
LAKE ATHABASCA
LAKE CLAIRE
LESSER SLAVE LAKE
ZAMA LAKE
PEACE RIVER
FORT McMURRAY
GRANDE PRAIRIE
ATHABASCA
RED DEER
JASPER NTL PARK
BANFF NTL PARK
WOOD BUFFALO NTL PARK
RAINBOW LAKE
DAWSON CREEK
FORT ST. JOHN
LLOYDMINSTER
NORDEGG
BROOKS
VULCAN
MEDICINE HAT
LETHBRIDGE
CARDSTON

KEYSTONE

This prospect is located adjacent to the Pembina Keystone Field in central Alberta. The Company has working interests in two 160 acre lease parcels which are offset by wells producing oil from the Upper Cretaceous Belly River formation.

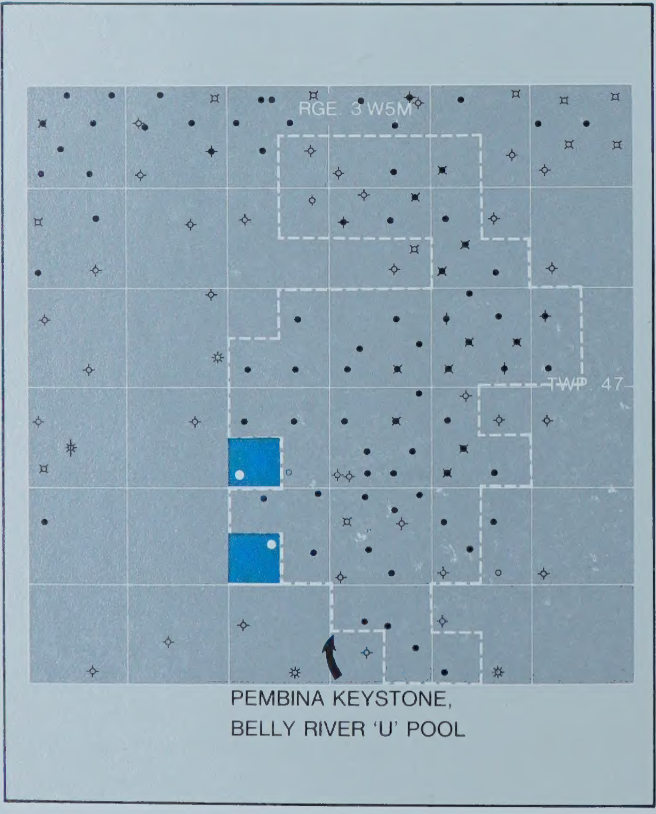
The Company has a 25.5% working interest BPO and a 15.0% working interest APO in the Lyleton et al Pembina 6-9 well which was drilled and completed as a Belly River oil well. The first well which the Company participated in, Lyleton et al Pembina 4-16, where the Company holds a 27.5% working interest BPO and a 15.625% working interest APO, has also been completed as a Belly River oil well. The adjacent Pembina Keystone Belly River U Pool has assigned primary recoverable oil reserves of 187,000 barrels per 160 acre spacing unit.

A waterflood feasibility study is being conducted by the operator, Lyleton Corporation. Implementation of the waterflood is expected to enhance recoveries in this area

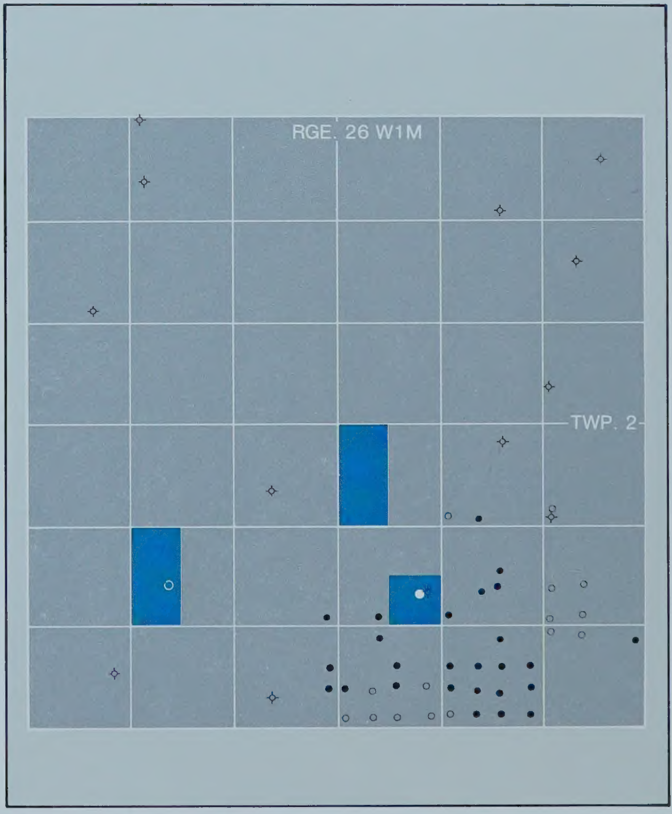
WASKADA

This prospect is located in the southwest corner of Manitoba adjacent to the Waskada Oil Field. The Company has acquired an interest, through a Farmout Agreement, in a 160 acre lease, and has an option to drill and earn an interest in an additional 640 acres adjacent to this lease.

Subsequent to the year end, the Company participated in the drilling of the Voyageur Waskada #8-10-2-26 W1M. The well was cased and completed before operations were shut down due to road bans, and is classed as a potential oil well. The Company has a 21.25% working interest BPO and a 15.625% working interest APO in this well. Depending on the capability of the well, the Company has a 15.625% working interest in the three offset locations located on the 160 acre lease, which could be drilled to add revenue and oil reserves to the Company's account.



KEYSTONE, ALBERTA



WASKADA, MANITOBA

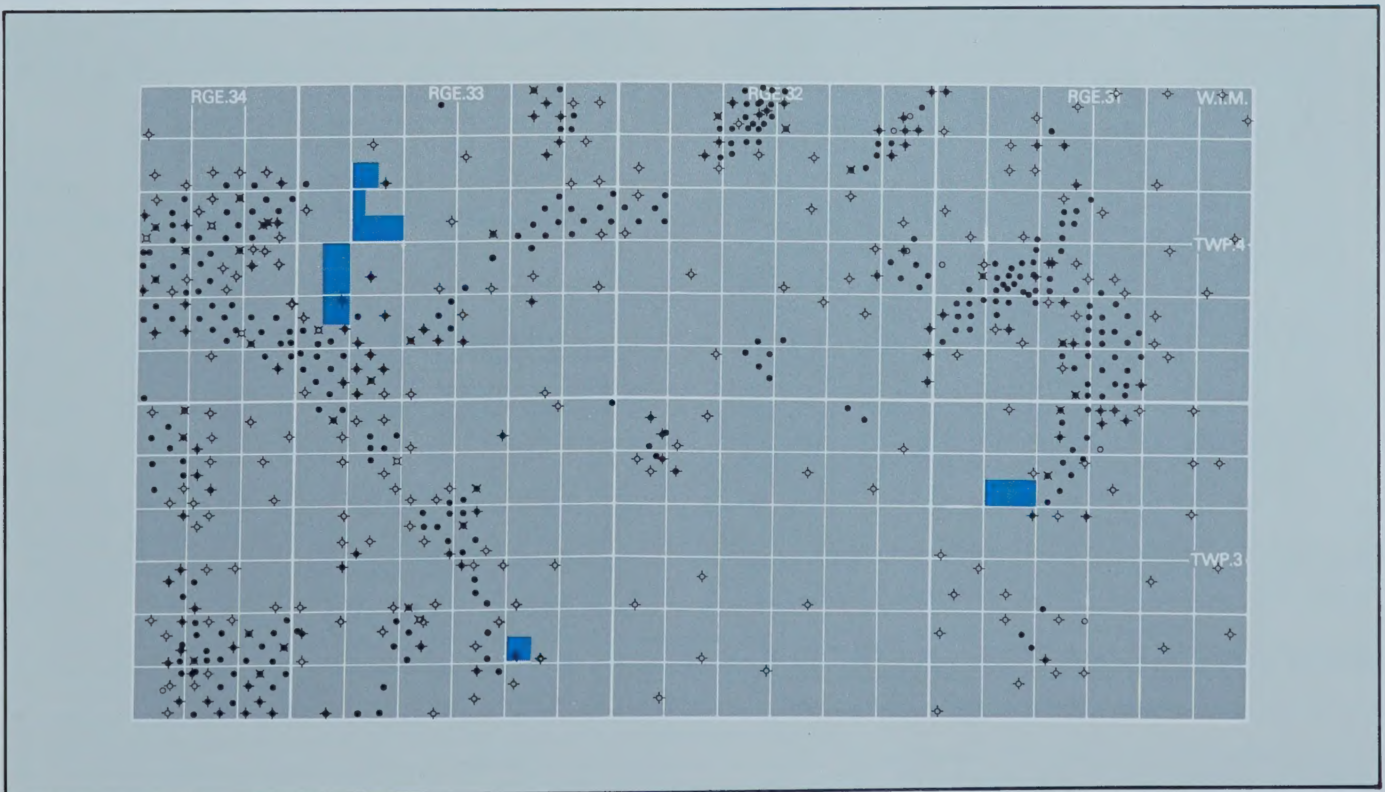
INGOLDSBY-HASTINGS

This project, located in the southeast corner of Saskatchewan, covers a six township area within which are the Ingoldsby and Hastings oil fields. The area has wells producing oil from the Mississippian Midale, Frobisher and Alida formations.

The Company acquired an exclusive geologic study covering the area to delineate prospective areas for exploration and development. Subsequently the Company acquired a 160 acre lease and approximately 20 miles of seismic data which were interpreted.

The Company sought industry partners and agreed to form a joint venture with ICG Resources Limited, who paid a 50% share of all costs incurred. A third partner, Resman Oil and Gas Limited agreed to participate in the joint venture by conducting a 25 mile seismic program and participating in the first well on a farmout basis. This well is expected to be drilled during the second quarter of 1984. Subsequent to year end, a further 480 acres of land was acquired which brings the land holdings in the project area to a total of 1,520 acres, in which the Company has a 33 1/3% working interest.

Further geological work is being carried out to define and evaluate existing and new prospects, and further land acquisitions are expected. The Company intends to participate in at least two additional wells. This area is expected to make important contributions to the Company's reserves and cash flow given the positive economic environment for oil and gas exploration and production provided by the Government of Saskatchewan.

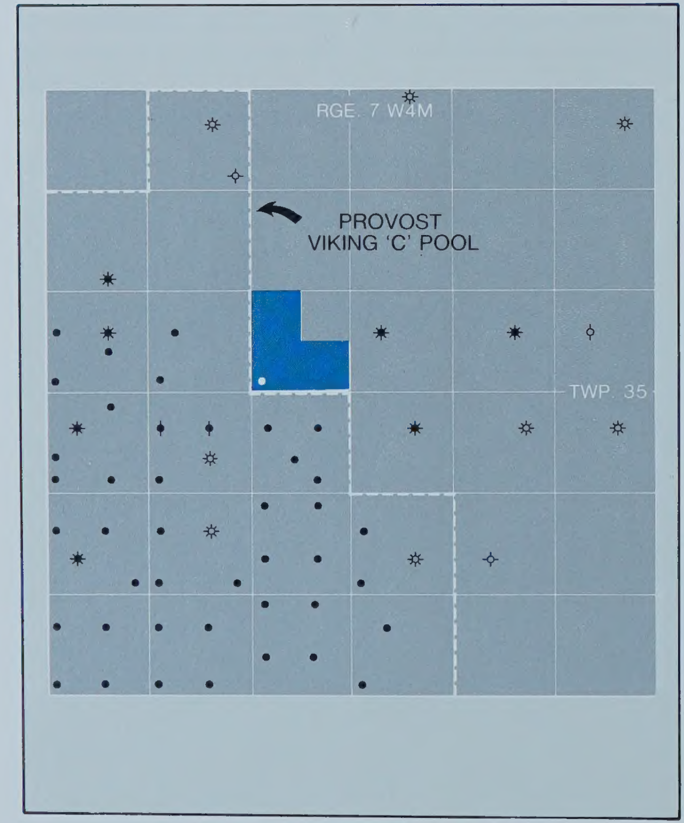


INGOLDSBY - HASTINGS, SASKATCHEWAN

PROVOST WEST

This prospect is located within the limits of the Provost Field in eastern Alberta and consists of a 480 acre lease block, which is offset by wells producing oil and gas from the Lower Cretaceous Viking formation.

The Company has a standard sliding scale royalty interest in a well recently drilled by Ranchmen's Resources Limited. The well, drilled in Lsd. 4, Section 21, Township 35, Range 7 W4M, has been completed as a Viking oil well, and is currently producing at 30 BOPD. Upon payout of the well costs, the Company can convert its royalty interest to a 40% working interest. Volumetric reserve calculations attribute some 160,000 gross barrels of oil to the 160 acre spacing unit. The Company has a retained 50% working interest in the two offset locations which have calculated probable reserves net to the Company's interest of 80,000 barrels of oil. These two locations are expected to be drilled during the latter half of 1984. In addition to the oil reserves, the 480 acres have been attributed with proven gas reserves of 350 Mmcf., also from the Viking formation.



PROVOST WEST, ALBERTA

DRILLING ACTIVITY

	6 Months ending Dec. 31, 1983		12 Months ending June 30, 1983	
	Gross	Net	Gross	Net
CANADA				
Oil	4	.77	9	1.56
Gas	1	.19	—	—
Dry	1	.13	3	.74
TOTAL	6	1.09	12	1.30
UNITED STATES				
Oil	—	—	3	.38
Gas	—	—	3	.27
Dry	—	—	6	.81
TOTAL	—	—	12	1.46
GRAND TOTAL	6	1.09	24	2.76

The Company has working interests in 29 oil wells and 95 gas wells and 2 service wells. First Calgary operates those properties which account for 88% of its current oil production and 80% of its gas production. These properties include Grand Forks, Mannville and Baxter Lake. Revenue from oil production accounts for 80% of total revenue with 97% of oil production qualifying for the New Oil Reference Price ("NORP").

Fourteen percent of the Company's current proved producing reserves of natural gas are unaffected by market fluctuation because of a 365 day deliverability contract with TransCanada Pipelines Limited. The balance of the proved producing reserves are being produced from contract lands relative to market demand.

OIL PROPERTIES

GRAND FORKS:

In the Grand Forks field, located in southern Alberta, First Calgary has a 50% working interest in five producing oil wells situated in the Mannville "B" and "L" pools. Joint venture partners are Oakwood Petroleums Ltd. and Scarboro Resources Ltd. Average gross daily oil production, which qualifies for NORP oil pricing, was 753 barrels per day for the 6 months ended December 31, 1983.

NATURAL GAS PROPERTIES

MANNVILLE:

First Calgary has working interests which vary from 66.67% to 100% in 5,120 acres in the Mannville area of central Alberta. The Company operates 10 gas wells which produce from the Viking, Colony, Sparky and Cummings formations. The gas is contracted to TransCanada Pipelines Limited with current gross daily production averaging 1.6 Mmcf per day from 7 wells.

BAXTER LAKE AND BAXTER LAKE SOUTH:

First Calgary has working interests which vary from 25% to 50% in 5 gas wells and 4,640 gross acres in the Baxter Lake area located in central Alberta. The Company operated wells, which produce from the Colony and Lloydminster zones, are currently delivering a combined total of 1.6 Mmcf per day under a gas contract with TransCanada Pipelines Limited and Pan-Alberta Gas Ltd.

PRINCESS:

The Company has working interests which vary from 20% to 25% in 32 gas wells located on 7,680 acres in the Princess shallow gas area of southern Alberta. The Princess field is operated by Norcen Energy Resources Limited. Current production from the Milk River and Medicine Hat formations is delivered to TransCanada Pipelines Limited at an average gross rate of 936 Mcf per day. Proven reserves have been assigned to Company interest lands upon which a further 19 wells could be drilled to maintain deliverability.

OTHER PRODUCING PROPERTIES:

First Calgary has varying working interests in other oil and gas producing properties located in the Castor, Cessford, Fenn, Viking, Killam and Watelet areas of Alberta.

PRODUCTION AND RESERVES

AS AT DECEMBER 31, 1983 (Management Estimate)

	Net Reserves (1)			Present Worth of Estimated Future Net Cash Flow Before Income Taxes		
				Present Worth Discounted at		
	Oil (Bbls) (2)	Gas (MMcf) (2)	Undis-counted	10%	15%	20%
				(thousands of dollars)		
CANADA						
Proven Reserves (3)	652,078	20,473	$ 96,991	$42,309	$31,464	$25,003
Probable Additional Reserves (4)	250,057	2,849	20,391	6,332	3,985	2,819
TOTAL	902,135	23,322	$117,382	$48,641	$35,449	$27,822

(1) "Net Reserves" refers to the Company's cumulative share of future production after deduction of partners' interest before Royalties.

(2) The term "oil" includes crude oil and condensate reserves wherever applicable, and the term "gas" includes natural gas produced from gas wells and natural gas produced with oil from oil wells.

(3) "Proven Reserves" are defined as those reserves, based on an analysis of engineering and geolgoical data, that can be recovered with a high degree of certainty from known reservoirs and existing wells, under existing economic and operating conditions.

(4) "Probable Additional Reserves" are defined as those reserves that can be recovered with a fair degree of certainty from known reservoirs, based on an analysis of engineering and geological data, from existing or proposed wells and under existing or proposed wells and under existing or proposed operating conditions.

(5) The management estimate, effective December 31, 1983, was derived by making appropriate adjustments to an independent evaluation of the proved and probable additional oil and gas reserves of First Calgary Petroleums Ltd. prepared by John P. Hunter & Associates Ltd. effective July 1, 1983.

The positive trend in the Company's financial performance is evidenced by increases in cash flow and earnings combined with continued reduction of bank debt and increased reserves.

The Company has changed its year end to December 31st from June 30th to conform with general industry practice. Comparing the six month period ending December 31, 1982 to the six month period ending December 31, 1983, the following results have been achieved:

1) Petroleum and natural gas sales have increased 12% from $2,910,636 to $3,246,798.

2) Cash flow has increased 53% from $933,115 to $1,424,016, equating to 20¢ per common share.

3) Net earnings have increased 90% from $220,747 to $417,350 (including losses of $263,990 attributable to the Company's interest in Lathwell Resources Ltd.).

These improvements have resulted from:

1) Increased oil production (currently averaging 420 barrels per day), offsetting decreases in natural gas production (currently averaging 1,412 thousand cubic feet per day). Decreased gas production is mainly the result of the current market over supply condition;

2) Increased product prices and improved producer net back resulting from changes in federal and provincial royalty and tax requirements;

3) Reduction in outstanding debt combined with a lower level of interest rates;

4) Continued management emphasis on cost control.

To December 31, 1983, capital expenditures amounted to $1,122,389 resulting in an increase in reserves of over 10% based on internal evaluations, and bank debt was reduced by $322,403 to $8,237,597.

Subsequent to December 31, 1983, Lathwell Resources Ltd. successfully completed a public issue of 1,000,000 common shares (reducing the Company's interest in Lathwell from 54% to 44%) and commenced public trading on the Vancouver Stock Exchange. Lathwell is involved in oil and gas production and gold mining operations providing significant potential for appreciation of the Company's investment in Lathwell.

During the coming year First Calgary Petroleums Ltd. will continue to place emphasis on improving cash flow via participation in exploration for and development of low-risk oil prospects in Alberta, Saskatchewan and Manitoba, while continuing to actively seek appropriate corporate or asset acquisitions in the oil and gas industry.

AUDITORS' REPORT

To the Shareholders of
First Calgary Petroleums Ltd.

We have examined the balance sheet of First Calgary Petroleums Ltd. as at December 31, 1983, and the statements of earnings, deficit and changes in financial position for the six months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1983, and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Calgary, Canada
February 24, 1984

THORNE RIDDELL
Chartered Accountants

MANAGEMENT REPORT

The annual report and financial statements have been prepared by management and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the annual report including the financial statements.

Hermann G. Bessert
President & Chief Executive Officer

Matthew J. Troniak
Secretary-Treasurer

BALANCE SHEET

ASSETS

	December 31, 1983	June 30, 1983
CURRENT ASSETS		
Accounts receivable		
Revenue and joint interests	$ 716,312	$ 655,465
Government incentive credits	910,093	1,098,133
Current maturities on agreements for sale and notes receivable	437,424	783,674
Due from associated companies	90,543	—
	2,154,372	2,537,272
AGREEMENTS FOR SALE (note 3)	291,252	509,964
NOTES RECEIVABLE FROM OFFICERS AND DIRECTORS (note 4)	381,250	381,250
LONG-TERM INVESTMENT (note 5)	3,023,652	3,189,319
FIXED ASSETS (note 6)	16,432,111	15,765,804
FINANCING COSTS	—	43,055
	$22,282,637	$22,426,664

Approved by the board

Director

Director

LIABILITIES

	December 31, 1983	June 30, 1983
CURRENT LIABILITIES		
Bank indebtedness	$ 296,481	$ 125,292
Accounts payable and accrued charges	756,542	1,161,702
Current maturities on long-term debt	437,424	437,424
	1,490,447	1,724,418
DEFERRED PRODUCTION REVENUE (note 7)	1,396,143	1,213,710
LONG-TERM DEBT (note 8)		
Bank loan	8,237,597	8,560,000
12% convertible debenture	2,000,000	2,000,000
Notes payable on agreements for sale	728,676	947,388
	10,966,273	11,507,388
Less current maturities	(437,424)	(437,424)
	10,528,849	11,069,964
DEFERRED INCOME TAXES	2,736,356	2,492,817

SHAREHOLDERS' EQUITY

		December 31, 1983	June 30, 1983
CAPITAL STOCK (note 9)			
Authorized			
1,000,000	Cumulative redeemable preferred shares at a par value of $10 each		
16,000,000	Common shares without nominal or par value		
Issued			
471,694	(June 30, 1983 - 472,294) Series "B" 9% convertible preferred shares due December 31, 1991	4,716,940	4,722,940
5,944,248	(June 30, 1983 - 5,942,268) Common shares	10,011,249	10,005,249
CONTRIBUTED SURPLUS		33,239	33,239
DEFICIT		(8,630,586)	(8,835,673)
		6,130,842	5,925,755
		$22,282,637	$22,426,664

STATEMENT OF EARNINGS

	Six Months Ended December 31, 1983	Six Months Ended December 31, 1982 (unaudited)	Year Ended June 30, 1983
REVENUE			
Petroleum and natural gas sales	$3,246,798	$2,910,636	$6,344,580
Less: royalties and production taxes	(1,292,695)	(1,131,700)	(2,279,023)
	1,954,103	1,778,936	4,065,557
Interest on agreements for sale and other income	157,179	109,442	199,504
	2,111,282	1,888,378	4,265,061
EXPENSES			
Petroleum and natural gas lifting and other production costs	393,731	257,920	658,996
General and administrative	322,847	279,440	619,329
Interest on bank loan and debenture	587,918	840,335	1,486,818
Interest on notes payable on agreements for sale	51,672	102,227	169,637
	(1,356,168)	(1,479,922)	(2,934,780)
Alberta royalty tax credit	668,902	524,659	1,212,001
FUNDS GENERATED FROM OPERATIONS	1,424,016	933,115	2,542,282
Charges not requiring funds			
Write-down of petroleum and natural gas properties (note 10)	—	—	7,089,884
Depletion, depreciation and amortization	499,137	712,368	1,252,491
Deferred income taxes	263,546	144,299	324,700
Share of loss of Lathwell Resources Ltd.	263,990	—	48,956
	1,026,673	856,667	(8,716,031)
Earnings (loss) before extraordinary items	397,343	76,448	(6,173,749)
EXTRAORDINARY ITEMS			
Tax benefits from application of losses from prior years	20,007	144,299	324,700
Write-down of notes receivable from officers, employees and directors	—	—	(237,000)
NET EARNINGS (LOSS) FOR THE PERIOD	$ 417,350	$ 220,747	$ (6,086,049)
PER COMMON SHARE, based on the weighted average number of shares outstanding			
Earnings (loss) before extraordinary items	$ .03	$ (.02)	$ (1.11)
Net earnings (loss) for the period	$ .03	$ —	$ (1.10)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Six Months Ended December 31, 1983	Six Months Ended December 31, 1982 (unaudited)	Year Ended June 30, 1983
WORKING CAPITAL DERIVED FROM			
Operations	$ 1,424,016	$ 933,115	$ 2,542,282
Sale of petroleum and natural gas properties	—	1,154,800	1,154,800
Proceeds on disposition of wholly-owned subsidiary less working capital of $254,737	—	—	2,179,963
Current maturities on notes receivable from officers and directors	—	—	346,250
Agreements for sale	218,712	218,712	437,424
Deferred production revenue	182,433	384,433	383,025
	1,825,161	2,691,060	7,043,744
WORKING CAPITAL APPLIED TO			
Petroleum and natural gas properties and related equipment	1,122,389	1,371,047	2,172,196
Investment in Lathwell Resources Ltd.	98,323	—	2,434,700
Reduction of bank loan	322,403	392,880	427,000
Reduction of notes payable on agreements for sale	218,712	218,712	437,424
Preferred share dividends	212,263	212,532	425,064
Repurchase of common shares	—	—	24,361
	1,974,090	2,195,171	5,920,745
INCREASE (DECREASE) IN WORKING CAPITAL	(148,929)	495,889	1,122,999
Working capital (deficiency) at beginning of period	812,854	(310,145)	(310,145)
WORKING CAPITAL AT END OF PERIOD	$ 663,925	$ 185,744	$ 812,854

STATEMENT OF DEFICIT

	Six Months Ended December 31, 1983	Six Months Ended December 31, 1982 (unaudited)	Year Ended June 30, 1983
DEFICIT AT BEGINNING OF PERIOD	$ (8,835,673)	$ (2,324,560)	$ (2,324,560)
Net earnings (loss) for the period	417,350	220,747	(6,086,049)
Preferred share dividends	(212,263)	(212,532)	(425,064)
DEFICIT AT END OF PERIOD	$ (8,630,586)	$ (2,316,345)	$ (8,835,673)

SIX MONTHS ENDED DECEMBER 31, 1983

1. **ACCOUNTING POLICIES**

(a) **Principles of Consolidation and Equity Accounting**

The comparative consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, First Calgary U.S.A., Inc., to the date of disposition on May 31, 1983 (see note 5).

The Company received 54.2% of the issued and outstanding common shares of Lathwell Resources Ltd. ("Lathwell") as partial consideration on the disposition of First Calgary U.S.A., Inc. Since the date of acquisition, this investment has been accounted for using the equity method of accounting under which the investment is carried on the balance sheet of the Company at cost plus its share of the undistributed earnings or losses. This method of accounting is considered appropriate for this investment since the Company has, subsequent to December 31, 1983, reduced its holdings to less than 50% of the total issued and outstanding common shares of Lathwell. The excess of the consideration paid over the underlying net book value is being amortized on a straight line basis over ten years.

(b) **Petroleum and Natural Gas Operations**

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on undeveloped properties, costs for drilling both productive and non-productive wells and all technical and administrative overhead directly related to exploration and development activities. Costs are accumulated on a country-by-country basis and are amortized by the unit of production method based on estimated petroleum and natural gas reserves, as determined by Company engineers and substantiated periodically by independent engineers, in each country or are written-off to earnings if exploration activities are determined to be unsuccessful. During the six months ended December 31, 1983, the Company conducted oil and gas operations only in Canada. No gains or losses are recognized upon the sale or disposition of petroleum and natural gas properties held for exploration and development except for transactions which result in major disposals of petroleum and natural gas reserves.

Substantially all of the exploration and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(c) **Income Taxes**

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Company provides for deferred income taxes to the extent that income taxes otherwise payable are reduced by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions reflected in its accounts. Also, deferred income taxes amounting to $255,940 as at December 31, 1983 (June 30, 1983 - $326,000), have been provided in the accounts relating to a reserve which has been claimed for tax purposes on the agreements for sale.

(d) **Net Earnings (Loss) Per Common Shares**

Net earnings (loss) per common share is calculated after deduction from the reported net earnings (loss) of prescribed dividends on preferred shares. Fully diluted earnings (loss) per share figures have not been presented as the effect of the conversion of the preferred shares, convertible debenture and the options would be antidilutive.

2. **CHANGE OF YEAR END**

The Company changed its year end from June 30th to December 31st. In the opinion of management this change will result in the Company conforming with general industry practice, thereby facilitating governmental, institutional and investor reporting.

3. **AGREEMENTS FOR SALE**

By agreements dated December 20, 1977, the Company agreed to sell certain oil and gas properties for $2,100,000 which amount is receivable in 60 equal monthly installments commencing September 1, 1980, bears interest at 1-1/2% above a bank prime rate and is secured by the related properties. Interest accrued to September 1, 1980, at which time the amount then accrued was due under terms similar to those described above and bears interest at 1-1/2% above a bank prime rate. (See note 8).

4. **NOTES RECEIVABLE FROM OFFICERS AND DIRECTORS**

The notes have arisen from subscriptions for shares of the Company, are secured by the shares, are non-interest bearing and are due at the earlier date of termination of employment by the directors and officers or March 12, 1986.

5. **LONG-TERM INVESTMENT**

Effective May 31, 1983, the Company sold all of its interest in its wholly-owned United States subsidiary to Lathwell and received, as consideration, a 12% convertible debenture in the principal amount of $1,397,500 and 2,074,000 common shares of Lathwell, which represented 54.2% of the then total outstanding common shares.

The investment in Lathwell comprises:

	December 31, 1983	June 30, 1983
2,074,400 common shares	$1,037,200	$1,037,200
Interest receivable to be converted to 98,323 common shares	98,323	—
12% convertible debentures due May 31, 1988	1,397,500	1,397,500
Excess consideration paid over underlying net book value, net of amortization	756,700	796,879
Share of losses since acquisition	(266,071)	(42,260)
	$3,023,652	$3,189,319

6. **FIXED ASSETS**

	December 31, 1983			June 30, 1983
	Cost	Accumulated Depletion and Depreciation	Net	Net
Petroleum and natural gas leases and rights including exploration, development and equipment thereon	$20,368,198	$3,936,087	$16,432,111	$15,765,804

General and administrative expenses relating to the exploration, development and land acquisition activities of the Company have been capitalized and included in the cost of properties. General and administrative costs capitalized were $342,000 for the six month period ended December 31, 1983 and $255,000 for the year ended June 30, 1983 respectively. No interest charges have been capitalized.

7. **DEFERRED PRODUCTION REVENUE**

Deferred gas production revenue represents payments received under take or pay gas contracts. These amounts will be included in revenue when the gas to which the payments relate is delivered. Recognition of revenue will commence November 1984 at a rate varying between 10% and 20% per contract year out of gas production occurring during the first five months of each contract year.

8. **LONG-TERM DEBT**

(a) The Revolving Term Bank Production Loan bears interest at the bank prime rate plus 1/2% and is secured by a general assignment of accounts receivable and an assignment, under Section 177 of the Bank Act, of the Company's interest in certain petroleum and natural gas properties. Repayments of the principal amount are due in quarterly installments commencing on January 5, 1985.

(b) The $2,000,000 convertible debenture matures March 12, 1985, bears interest at 12% per annum, payable semi-annually and is secured by a floating charge against all the assets and undertakings of the Company which charge is subordinated to the Revolving Term Bank Production Loan. The Company may create additional debt in the aggregate amount of $8 million to rank equally with but not prior to the debenture. A portion of the debenture is convertible into common shares in the capital stock of the Company (not to exceed 588,253 common shares in total) at a price of $2.90 per share and certain restrictions are placed on the payment of dividends. The Company may redeem the debenture in whole at 118% of the principal amount anytime.

The debenture holder has an option to receive up to a maximum of 70,000 common shares of the Company in satisfaction of the semi-annual interest payment. Under certain conditions, the number of shares to be issued under this provision can be reduced at the option of the Company.

(c) Notes payable on agreements for sale (see note 3) are non-recourse and bear interest at 1-1/2% above a bank's prime rate. The notes are payable only out of proceeds received cn the agreements for sale and no other claim exists against the assets of the Company.

(d) The amount due in each of the next five years on long-term debt is approximately as follows:

1984 -	$ 437,424
1985 -	2,393,752
1986 -	2,550,000
1987 -	2,550,000
1988 -	2,550,000

9. **CAPITAL STOCK**

(a) Changes in the outstanding shares of the Company during the six month period were as follows:

	Common Shares		**Series "B" 9% Convertible Preferred Shares**	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance at June 30, 1983	5,942,268	$10,005,249	472,294	$4,722,940
Converted to common shares	1,980	6,000	(600)	(6,000)
Balance at December 31, 1983	5,944,248	$10,011,249	471,694	$4,716,940

(b) Each Series "B", 9% Convertible Preferred Share is convertible into 3.3 common shares until December 31, 1985.

(c) As of December 31, 1983, common shares of the Company are reserved as follows:

1,556,590	Shares for issue on conversion of the Series "B" preferred shares.
594,424	Shares for issue to officers and employees under the Company's Employee Incentive Share Option Plan, of which options to purchase 256,000 shares were outstanding and exercisable from time to time until 1986 at $1.75 per share.
225,000	Shares for issue under options granted to an officer and director and a director for services rendered or to be rendered on behalf of the Company, and exercisable from time to time until 1986 at $1.75 per share.
558,253	Shares for issue on conversion of 12% convertible debenture maturing March 12, 1985.
210,000	Shares for issue in satisfaction of interest payments on the 12% convertible debenture maturing March 12, 1985.
3,174,267	

10. **WRITE-DOWN OF PETROLEUM AND NATURAL GAS PROPERTIES**

Under generally accepted accounting principles, the capitalized cost of petroleum and natural gas properties is limited to the present value of future net revenues from estimated production of reserves plus the lower of cost and estimated fair value of non-producing properties ("cost limitation").

During the year ended June 30, 1983, the carrying value of the Company's petroleum and natural gas properties in the United States cost centre was written-down by $7,089,884 to the cost limitation prior to disposition (see note 5).

11. **INCOME TAXES**

As at December 31, 1983 the Company had $2,600,000 of exploration and development expenses, earned depletion, undepreciated capital costs and loss carry forwards available for deduction against future income from Canadian sources (all subject to final determination by taxation authorities). All potential tax benefits arising from losses incurred in prior periods have now been recognized in the accounts.

12. **STATUTORY INFORMATION**

During the six month period, directors and senior officers (including the five highest paid employees) of the Company received remuneration of $205,864 (June 30, 1983 - $426,317).

13. **SEGMENTED INFORMATION**

The Company's business activity is the exploration for and the development of oil and gas reserves. This activity comprises a single business segment and subsequent to sale of its U.S. subsidiary as of May 31, 1983, operations have been carried out only in Canada.

14. **RELATED PARTY TRANSACTION**

During the year ended June 30, 1983, the shares of First Calgary U.S.A., Inc. were sold to Lathwell, a company in which certain directors and officers of the Company have an interest. The Company and Lathwell also have some common directors. The Company has a contract to continue to manage the U.S. oil and gas assets of Lathwell.

15. **SUBSEQUENT EVENTS**

(a) Subsequent to December 31, 1983, Lathwell issued, pursuant to a public offering, 1,000,000 common shares at a price of $.45 per share net to it. This issue combined with the receipt by the Company of 98,323 common shares of Lathwell in payment of interest on the 12% convertible debenture reduces the Company's interest in Lathwell to approximately 44.1%. In addition, the underwriters of the Lathwell offering were granted an option to purchase a further 200,000 shares of Lathwell at $.60 per share on or after 90 days from the date of listing the shares on the Vancouver Stock Exchange which could result in a further reduction of the Company's interest to approximately 42.4%. These transactions will result in an extraordinary loss to the Company on the disposition of the shares by Lathwell of $55,785 ($42,365 if the options are not exercised by the underwriters).

(b) Subsequent to December 31, 1983, the Company received payment of $76,907 in respect of amounts due from associated companies totalling $90,543 at December 31, 1983.

CORPORATE INFORMATION

HEAD OFFICE

2510, 300 - 5th Avenue S.W.
Calgary, Alberta
T2P 0L3
Telephone: (403) 264-6697
Telecopier: (403) 264-0087
Telex: 03-825817

SUBSIDIARY

Lathwell Resources Ltd. (54.24%)*
*reduced to 44.1% as a result of a public underwriting subsequent to year end.

BANKING

Bank of British Columbia
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Canada Permanent Trust Company
Calgary, Alberta & Toronto, Ontario

AUDITORS

Thorne Riddell, Chartered Accountants
Calgary, Alberta

SOLICITORS

Parlee, Irving, Henning, Mustard & Rodney
Calgary, Alberta

STOCK EXCHANGES

Toronto Stock Exchange
Alberta Stock Exchange

TRADING SYMBOLS

Common - FCP
Series B, Preferred - FCPprA

CANADIAN OWNERSHIP RATE

100%

MANAGEMENT

President &
Chief Executive Officer
- Hermann G. Bessert

Vice President &
Chief Operating Officer
- J. Michael McIlhargey

Secretary-Treasurer
- Matthew J. Troniak

Land Manager
- Jerry E. Sentes

Chief Geologist
- Richard B. Redhead

Operations Superintendent
- Robert A. Biedler

Accounting Supervisor
- Katherine Tomlinson

PRINTED IN CANADA

FIRST CALGARY PETROLEUMS LTD.

1983 ANNUAL REPORT

CORPORATE PROFILE

First Calgary Petroleums Ltd. is a public resource company engaged in the exploration for and development and production of petroleum and natural gas in western Canada. The Company holds varied working interests in 27 producing oil wells, 64 producing gas wells and 20 shut-in gas wells throughout Alberta. The Company has a 100% Canadian Ownership Rate.

The common shares and the 9% Series B, Convertible Preferred shares trade publicly on the Toronto and Alberta Stock Exchanges. There are 5,942,268 common shares and 472,294 preferred shares issued and outstanding and they are held by 1,147 and 350 shareholders respectively. The trading symbol for the common shares is FCP and for the preferred shares is FCPprA.

The Company was first incorporated as Long Island Petroleums Ltd. in 1949. The name was subsequently changed to Canadian Long Island Petroleums Ltd. in 1961 and finally to First Calgary Petroleums Ltd. as a result of a reorganization in July 1979 whereby Canadian Long Island acquired the oil and gas properties of Caltor Petroleums Ltd. through an exchange of shares. This was followed in April, 1980 with the acquisition of 100% of the shares of Norse Explorations Ltd., the principal assets of which were contracted and producing gas reserves and producing oil reserves in Alberta.

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ANNUAL MEETING

The Annual Meeting will be held at 4:00 p.m. on Wednesday, November 23, 1983 in the McMurray Room of the Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta. Shareholders are encouraged to attend and those unable to do so should complete the Form of Proxy and forward it at your earliest convenience.

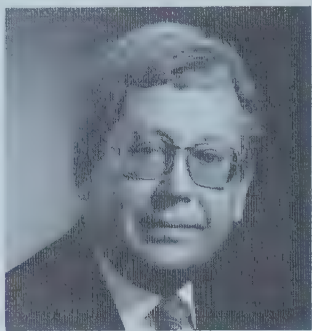
CORPORATE HIGHLIGHTS

	1983	1982	% Change
FINANCIAL			
Gross oil and gas sales	**$6,344,000**	$4,539,000	+ 40
Oil and gas sales after royalties	**4,065,000**	2,855,000	+ 42
Funds generated from operations	**2,542,000**	716,000	+ 355
Per common share	**0.43**	0.13	+ 331
Loss for the year	**(6,086,000)**	(346,000)	— (1,758)
Per common share	**(1.10)**	(0.15)	— (733)
Working capital (deficiency)	**813,000**	(310,000)	+ 362
Bank loans	**8,560,000**	9,228,000	— (7)
OIL AND GAS ASSETS			
CRUDE OIL AND LIQUIDS (Bbls)			
Proven	**439,000**	447,000	
Probable	**148,000**	265,000	
Total - after royalties	**587,000**	712,000	
NATURAL GAS (Mmcf)			
Proven	**15,634**	16,598	
Probable	**2,580**	1,853	
Total - after royalties	**18,214**	18,451	
LAND (acres)			
Gross	**110,378**	273,639	
Canada - Net	**26,562**	27,266	
United States - Net	**—**	15,451	

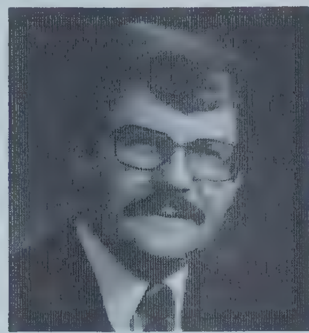
VALUATION OF ASSETS ($M)		Discounted at	
	0%	15%	20%
Present worth of estimated future cash flow from proven & probable reserves	$ 109,827	$ 34,293	$ 27,080
Land @ market value	833	833	833
Total asset value including other assets and excluding long-term debt and preferred shares	93,700	23,140	16,552
Total net asset value per common share	$ 15.76	$ 3.89	$ 2.78

		1983	1982
OPERATING			
PRODUCTION (Company share)			
Oil (bbls)		**146,000**	95,000
Gas (mcf)		**674,000**	1,414,000
DRILLING (Gross)			
Canada	- Oil	**9**	13
	- Gas	**—**	2
	- Dry	**3**	3
United States	- Oil	**3**	3
	- Gas	**3**	14
	- Dry	**6**	9
TOTAL		**24**	44
CAPITAL EXPENDITURES			
Canada		**$ 884,000**	$ 745,000
United States		**$ 928,000**	$5,809,000

BOARD OF DIRECTORS



JAMES D. KADLEC
Chairman of the Board
First Calgary Petroleums Ltd.
Calgary, Alberta

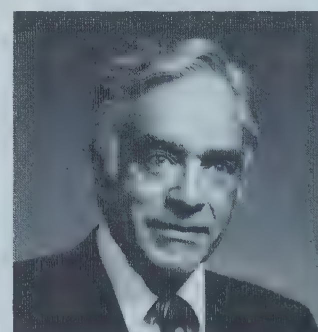


HERMANN G. BESSERT
President &
Chief Executive Officer
First Calgary Petroleums Ltd.
Calgary, Alberta

J. MICHAEL McILHARGEY
Vice President &
Chief Operating Officer
First Calgary Petroleums Ltd.
Calgary, Alberta

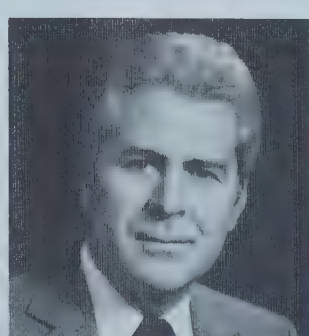
J.E. (TED) BAUGH
President,
Ted Baugh Resource Consultants Ltd.
Calgary, Alberta

JOSEPH M. TANENBAUM
Chairman, York Russell Inc.
Toronto, Ontario



JAMES A. COX, Q.C.
Senior Partner,
Parlee, Irving, Henning,
Mustard & Rodney
Calgary, Alberta

WILLIAM J. DEYELL
Oil & Gas Industry Consultant
Nanoose Bay, British Columbia



E. DONALD PATTEN
Executive Vice President
& Investment Chairman
Family Life Assurance Group
Calgary, Alberta

J. RONALD WOODS
Senior Vice President
Merit Investment Corporation
Toronto, Ontario

REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of First Calgary Petroleums Ltd., it is our pleasure to present our fifth Annual Report for the period ended June 30, 1983.

Some significant events marked the year:

1. Redirection of your Company's activities towards Canada with the main emphasis on the expansion of the asset base through acquisitions and/or individual plays in oil-prone areas of Alberta. At the present time over 70% of your Company's gross revenues are derived from oil sales.

2. On June 28, 1983, the Alberta and Federal Governments announced a new pricing agreement with respect to oil discovered after April 1, 1974. This agreement has the effect of increasing your Company's oil production that qualifies for New Oil Reference Price ("NORP") to over 95% from 20%.

3. Continued emphasis was placed on increased cash flow generation with the aim of maintaining a sound and solid financial position.

4. Effective July 1, 1983, a new President and Chief Executive Officer with extensive experience in Canadian and international financial institutions was appointed.

During fiscal 1983, substantial improvements in your Company's operations were recorded:

1. Increase in gross revenues from $4,539,000 to $6,344,000.

2. Increase in cash flow from $716,000 to $2,542,000.

3. Increase in oil production from 260 to 400 bbls/d. This increase, however, was offset by a reduction in gas production from 3.856 to 1.846 Mmcf/d.

4. Participation in the drilling of 12 wells in Canada, resulting in 9 oil wells and 3 dry holes, for an overall success ratio of 75%.

The increase in your Company's net loss to $6,086,000 from $346,000, reflects a write-down of the United States assets in the amount of $7,089,000. Prior to this adjustment, your Company's net earnings would have been $1,004,000.

There are encouraging signs that the economy is recovering on a worldwide basis and that the prospects for the oil and gas industry, in Canada, are improving. We believe that the next decade will present unparalleled opportunities in which we are determined to participate.

Through careful planning and a sound business plan, we have established the basis for a promising future. We are pursuing an active acquisition policy as a growth option and may consider equity financing in 1984.

In the coming year, your Company anticipates increased production revenues from its properties. This, combined with further reductions in interest and administration costs, will provide meaningful increases in cash flow.

We wish to thank our Board of Directors and staff for their contributions to our continuing success. A special appreciation is extended to our shareholders without whose support none of our accomplishments would be possible.

Respectfully submitted,

James D. Kadlec
Chairman of the Board

Hermann G. Bessert
President and
Chief Executive Officer

October 4, 1983
Calgary, Alberta

MANAGEMENT

l to r: R.A. Biedler, J.M. McIlhargey, J.E. Sentes, H.G. Bessert, R.B. Redhead, K.E. Macdonald

HERMANN G. BESSERT as President and Chief Executive officer is responsible for directing the Company's policies of external growth through acquisitions, mergers and financing. Mr. Bessert has been a Director and Vice President of the Company since 1979. He brings to this position some fifteen years' experience with Canadian and international institutions in the financing of resource industries. He has held various senior positions with a Canadian bank in Montreal, Vancouver, Hamilton and Calgary, where he was a Vice President responsible for the Bank's corporate and oil and gas lending activities. Most recently he was a Senior Executive of a diversified financial organization.

J. MICHAEL McILHARGEY as Vice President and Chief Operating Officer is responsible for initiating, directing and co-ordinating the exploration and operations activities of the Company. His background includes executive positions with prominent oil and gas companies. First-hand knowledge of the Western Sedimentary Basin and Frontier regions of Canada have been acquired during his twenty-six years in the industry. Mr. McIlhargey holds a degree in Geology from the University of Oklahoma.

KEITH E. MACDONALD as Secretary-Treasurer of the Company is responsible for monitoring the corporate financial position, financial and tax planning, financial reporting, and overall accounting functions. He has been with the Company in a management capacity since October 1980 and was associated with the Company prior to that time in an audit capacity. His CA was obtained with a major public accounting firm.

JERRY E. SENTES has been the Land Manager of the Company since 1981. Mr. Sentes is a graduate of the University of Saskatchewan with a Bachelor of Commerce degree. Twelve years of previous experience includes positions with several major oil and gas companies, where he has acquired a strong working knowledge of the oil industry in western Canada.

ROBERT A. BIEDLER joined the Company in December 1980 with over a decade of technical and supervisory experience in western Canada. Mr. Biedler is currently the Operations Superintendent for the Company and is responsible for all production operations.

RICHARD B. REDHEAD, as Chief Geologist with the Company, is responsible for developing and monitoring exploration programs in Canada. He joined the Company in August 1981 and gained substantial experience in the geological basins of Alberta and Saskatchewan with First Calgary, as well as in previous positions with other companies. Mr. Redhead holds a Bachelor of Science in Geology.

GARRINGTON

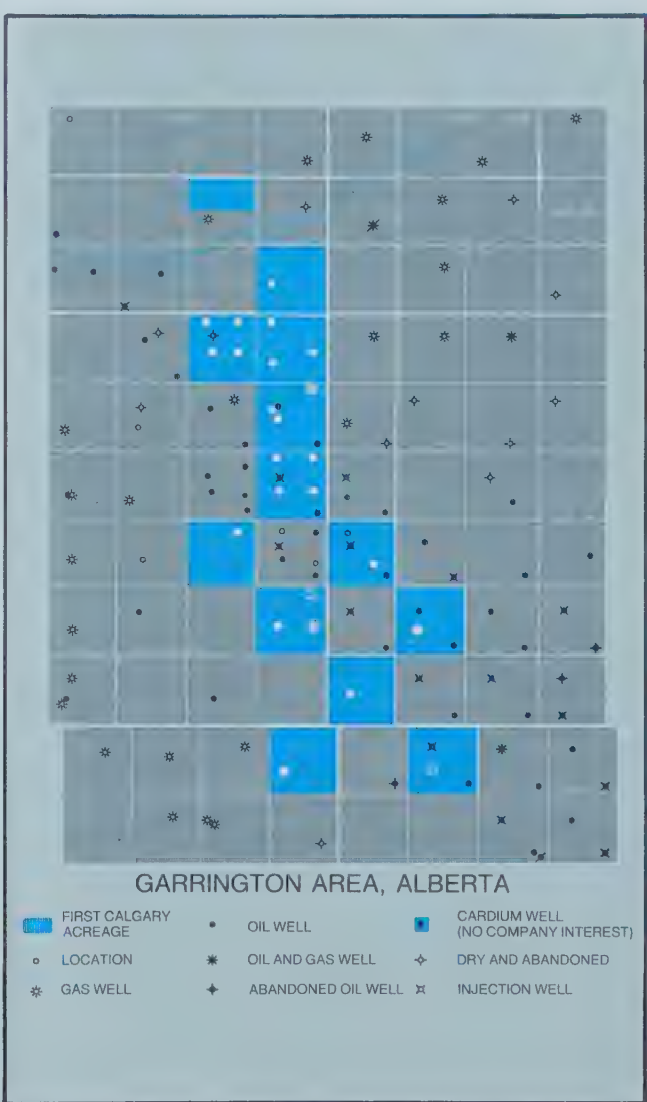
The Company has working interests which vary from 6.25 percent to 12.5 percent in 8,000 gross acres located in the Garrington area of west central Alberta. The Company participated in the initial Glauconitic oil discovery well in early 1981 and subsequently joined in the drilling of 13 step-out and exploratory wells, all of which were successfully completed. During the fiscal year ended June 30, 1983, 9 additional wells were completed and the Company now has interests in 23 wells on this prospect.

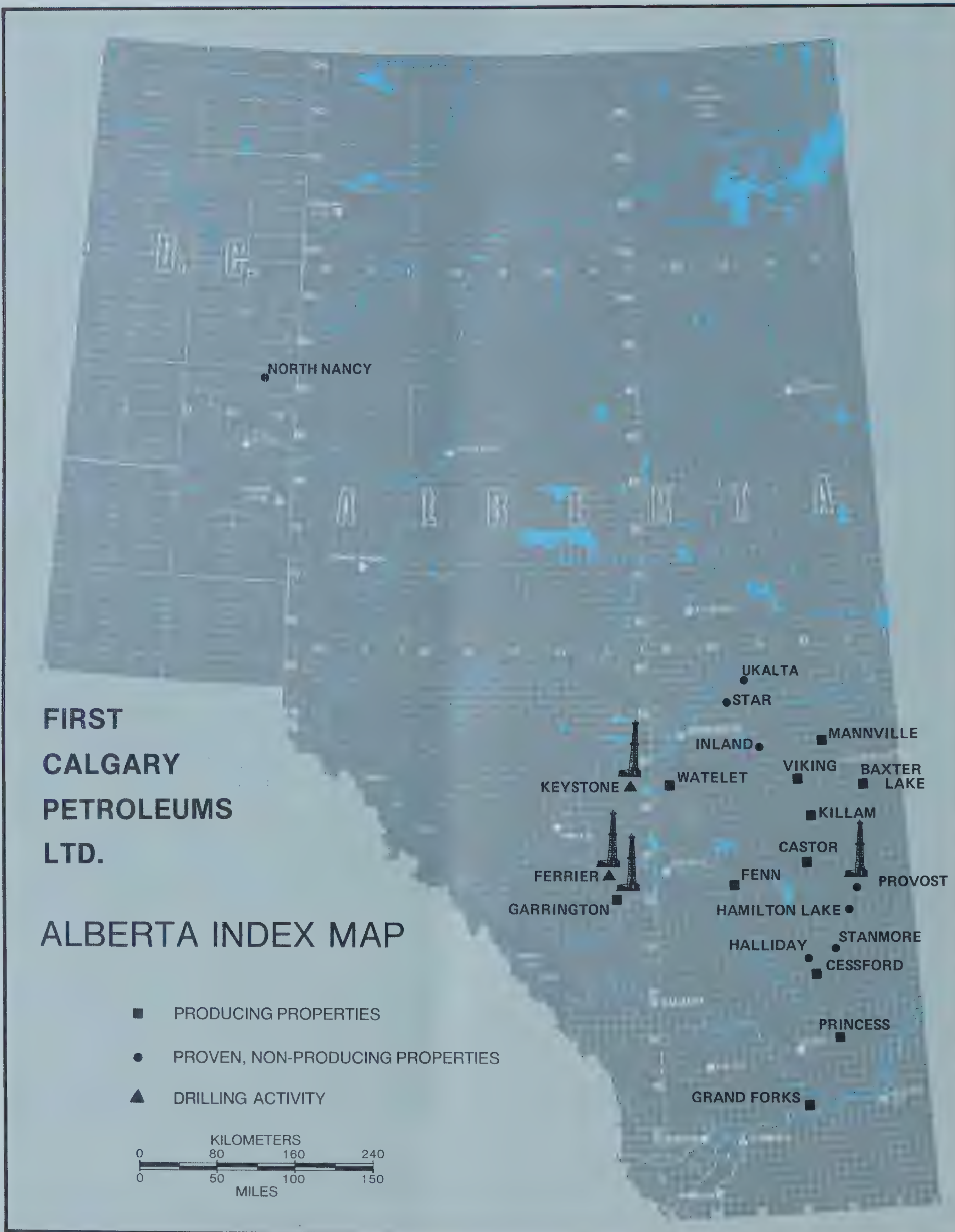
All wells drilled to date have encountered oil and/or gas in multiple pay horizons ranging from the Mississippian Elkton to the shallower Cretaceous Ostracode, Glauconitic, Viking, Second White Specks and Cardium formations. Currently, 10 wells produce oil from the Glauconitic, 5 wells are producing from the Ostracode and 2 wells are producing from the Viking and Second White Specks respectively. All wells are eligible for NORP oil pricing.

In addition, 1 Viking gas well, 2 Glauconitic and 3 Ostracode gas wells are not producing. Two Ostracode wells, however, will be tied-in to pipeline facilities this fall and production of gas and condensate is expected to commence by November, 1983. The remaining wells are expected to be tied-in as market conditions permit.

Development of the major oil horizon, the Glauconitic sand, has been delayed due to high gas/oil ratios in certain areas of the reservoir which resulted in a temporary reduction of oil production rates to levels below the minimum 31 BOPD allowable. At the request of the Energy Resources Conservation Board, the Company and its partners have completed a detailed engineering study related to the feasibility of installing various pressure maintenance schemes to enhance recovery. The study, which has been submitted to the ERCB, concludes that optimum profitability can only be achieved through primary depletion together with gas conservation. If the ERCB concurs, it is anticipated that some form of relief from the current restricted production levels will be granted prior to the end of 1983. With the return to normal oil allowables and the tie-in of 2 additional gas wells, the Company expects that substantially increased revenues will be realized from this area during 1984.

As of July 1, 1983, John P. Hunter & Associates, Consulting Petroleum Engineers & Geologists, have calculated the Company's net proven reserves at 124,169 barrels of oil, 52,037 barrels of condensate and 2,499 Mmcf. of gas. Probable additional reserves of 73,116 barrels of oil, 19,980 barrels of condensate and 1,107 Mmcf. of gas have also been assigned to the Company's acreage in the area.




FIRST
CALGARY
PETROLEUMS
LTD.
ALBERTA INDEX MAP
PRODUCING PROPERTIES
PROVEN, NON-PRODUCING PROPERTIES
DRILLING ACTIVITY
KILOMETERS
0 80 160 240
0 50 100 150
MILES
B. C.
ALBERTA
NORTH NANCY
UKALTA
STAR
INLAND
MANNVILLE
KEYSTONE
WATELET
VIKING
BAXTER LAKE
KILLAM
CASTOR
FERRIER
FENN
PROVOST
GARRINGTON
HAMILTON LAKE
STANMORE
HALLIDAY
CESSFORD
PRINCESS
GRAND FORKS

KEYSTONE

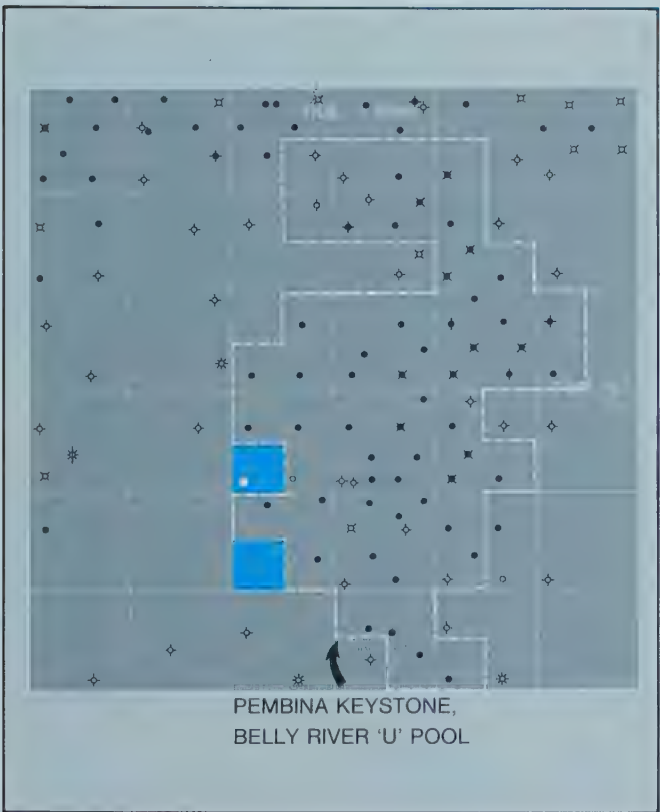
The Company has a 27.5 percent working interest BPO and a 15.625 percent working interest APO in the Lyleton et al Pembina # 4-16 which was recently drilled and cased as a potential Belly River oil well. A second well, in which the Company has a similar working interest, is expected to spud shortly at a location approximately three quarters of a mile south in Lsd. 6-9.

Both wells are situated adjacent to the Pembina Belly River U Pool where average primary recoverable oil reserves of 187,000 barrels have been assigned to each 160 acres spacing unit. Upon completion of this development program, the operator intends to undertake a preliminary study to determine the feasibility of a secondary recovery waterflood scheme. A similar scheme, which is in place in adjoining areas of the Belly River U Pool, has resulted in greatly enhanced recoveries.

FERRIER

The Company has an 18.75 percent working interest in 3,200 acres located immediately adjacent to the Ferrier Field located in west central Alberta. Offsetting wells at Ferrier have established oil production from the Cardium sand and recoverable reserves of approximately 100,000 barrels per 160 acre spacing unit. The area is also prospective for Glauconitic sand gas production with reserves in nearby wells estimated at 7 Bcf and 200,000 barrels of condensate per 640 acre spacing unit.

The Company's interest in the prospect was earned through participation in a deep test recently drilled by Cherokee Resources Limited in Lsd. 4, Section 31, Township 38, Range 6 W5M. The well is currently under tight hole status.



KEYSTONE, ALBERTA

FERRIER, ALBERTA

EXPLORATION AND DEVELOPMENT

PROVOST WEST

The Company has a 100 percent working interest in a 480 acre lease located within the limits of the Provost Field in eastern Alberta. This undeveloped acreage is offset by wells which are producing oil and solution gas from the Viking formation. Based upon geological interpretation and reserve data for the area, the acreage has potential reserves of approximately 74,000 barrels of oil and 752 Mmcf of gas per 160 acre spacing unit.

Under the terms of a recently negotiated farmout agreement, a well will be drilled on the property this fall at no cost to the Company. If the farmout well is successful, two additional locations could be developed which would add significant oil and gas reserves, as well as revenues, to the Company's account.

DRILLING ACTIVITY

	1983		1982	
	Gross	Net	Gross	Net
CANADA				
Oil	9	.56	13	1.61
Gas	—	—	2	.03
Dry	3	.74	3	.08
TOTAL	12	1.30	18	1.72
UNITED STATES				
Oil	3	.38	3	.19
Gas	3	.27	14	1.75
Dry	6	.81	9	1.82
TOTAL	12	1.46	26	3.76
GRAND TOTAL	24	2.76	44	5.48

PROVOST WEST, ALBERTA

PRODUCTION AND RESERVES

The Company has working interests in 27 producing oil wells, 64 producing gas wells and 20 shut-in gas wells. First Calgary operates those properties which account for 90% of the Company's oil production and 75% of the gas production. These properties include Grand Forks, Mannville and Baxter Lake. Revenue from oil production accounts for 73% of total revenue with 97% of the oil production qualifying for the New Oil Reference Price ("NORP").

Thirty-four percent of the Company's current gas production is unaffected by market fluctuation because of a 365 day deliverability contract with TransCanada Pipelines Limited, at Baxter Lake. Sixty-one percent of the reserves are being produced from contract lands relative to market demand. The remaining 39% is contracted waiting on the improvement of gas markets.

OIL PROPERTIES

GRAND FORKS:

In the Grand Forks field, located in southern Alberta, First Calgary has a 50% working interest in five producing oil wells situated in the Mannville "B" and "L" pools. Joint venture partners are Oakwood Petroleums Ltd. and Scarboro Resources Ltd. Average gross daily oil production, which now qualifies for NORP oil pricing, was 702 barrels per day for the year ended June 30, 1983. Production from Grand Forks accounted for 53% of the Company's total revenue.

NATURAL GAS PROPERTIES

MANNVILLE:

First Calgary has working interests which vary from 66.67% to 100% in 5,120 acres in the Mannville area of central Alberta. The Company operates 10 gas wells which produce from the Viking, Colony, Sparky and Cummings formations. The gas is contracted to TransCanada Pipelines Limited with current gross daily production averaging 1.6 Mmcf per day from all wells.

BAXTER LAKE AND BAXTER LAKE SOUTH:

First Calgary has working interests which vary from 25% to 50% in 5 gas wells and 8,000 gross acres in the Baxter Lake area located in central Alberta. The Company operated wells, which produce from the Colony and Lloydminster zones are currently delivering a combined total of 2.33 Mmcf per day under a gas contract with TransCanada Pipelines Limited and Pan-Alberta Gas Ltd.

PRINCESS:

First Calgary has working interests which vary from 20% to 25% in 30 producing gas wells located on 7,680 acres in the Princess shallow gas area of southern Alberta. The Princess field is operated by Norcen Energy Resources Limited. Current production from the Milk River and Medicine Hat formations is delivered to TransCanada Pipelines Limited at an average gross rate of 1.1 Mmcf per day. Proved reserves have been assigned to Company interest lands upon which a further 19 wells could be drilled to maintain deliverability.

OTHER PRODUCING PROPERTIES:

First Calgary has varying working interests in other oil and gas producing properties located in the Castor, Cessford, Fenn, Viking, Killam and Watelet areas of Alberta.

AS AT JULY 1, 1983

	Net Reserves (1)			Present Worth of Estimated Future Net Cash Flow Before Income Taxes — Present Worth Discounted at		
	Oil (Bbls)(2)	Gas (Mmcf)(2)	Undiscounted	10%	15%	20%
				(thousands of dollars)		
CANADA						
Proved Producing (3)	366,699	9,593	$ 59,447	$31,432	$25,135	$20,939
Proved Non-Producing (3)	72,258	6,041	33,628	9,414	5,943	4,018
	438,957	15,634	93,075	40,846	31,078	24,957
Probable (4)	147,640	2,580	16,752	5,115	3,215	2,123
TOTAL	586,597	18,214	$109,827	$45,961	$34,293	$27,080

(1) "Net Reserves" refers to the Company's cumulative share of future production after deduction of partners' interest, Crown and Freehold royalties and overriding royalties.

(2) The term "oil" includes crude oil and condensate reserves wherever applicable, and the term "gas" includes natural gas produced from gas wells and natural gas produced with oil from oil wells.

(3) Proven reserves are defined as those reserves based on an analysis of engineering and geological data, that can be recovered with a high degree of certainty from known reservoirs and existing wells, under existing economic and operating conditions

(4) Probable additional reserves are defined as those reserves that can be recovered with a fair degree of certainty from known reservoirs, based on an analysis of engineering and geological data, from existing or proposed wells and under existing or proposed operating conditions

FINANCIAL REVIEW

The highlight of fiscal 1983 was a three-fold increase in cash flow to $2,542,000 from $716,000 in 1982. This improved performance resulted from a combination of several factors.

Firstly, oil and gas sales net of royalties and production taxes jumped 42% to $4,065,000 from $2,855,000 in the previous year. Net revenues, after royalties, production taxes and lifting costs, were $3,406,000 compared with $2,913,000 during fiscal 1982. The increase in revenues resulted from the following:

— a scheduled $7.00 per barrel increase in the price of oil;

— Grand Forks oil production averaged 351 net BOPD compared to 220 net BOPD resulting from an improvement in production capability and improved market conditions. Last year the Alberta government had cut back production in response to federal/provincial energy pricing negotiations and Alberta oil was also competing against additional Mexican imports;

— higher levels of production from the further development of the oil prone Garrington area.

Secondly, revenue receipts from the Alberta Royalty Tax Credits were up $446,000 to $1,212,000 from the similar period last year. This was due to the industry receiving an entire year of credits based on the higher 75% rate and the application of this rate against the additional crown royalty payments required by the increase in oil and gas sales.

Thirdly, the Company experienced a $132,000 decline in interest on long-term debt. This resulted from a principal reduction of $668,000 during the year on the bank loan and a decline in the Prime Interest Rate from 17% to 11%. The inclusion of one full years' interest on the 12% Convertible Debenture negated the Company from realizing the full benefits of the downward change in interest rates. No portion of the interest on long-term debt was capitalized.

These events in combination with the negotiation of a substantial line of credit with the Bank of British Columbia have strengthened both the Company's working capital position and balance sheet. In fact, working capital increased 362% to $812,000 compared with a capital $310,000 deficiency at June 30, 1982.

First Calgary recorded a net loss during the year of $6,086,000 or $1.10 per common share. This was primarily the result of a $7,089,000 write-down of petroleum and natural gas properties in the United States. An independent engineering evaluation resulted in a substantial reduction of the oil and gas reserves reported at June 30, 1983 and the valuation of undeveloped acreage. Without the writedown, the Company would have reported net earnings (after extraordinary items) of $1,004,000 or $0.10 per common share.

Subsequent to this write-down of assets in March, and in response to a corporate policy decision to concentrate future exploration and development efforts in Canada, First Calgary sold the shares and related debt in its wholly-owned subsidiary, First Calgary U.S.A., Inc., to Lathwell Resources Ltd. effective May 31, 1983. The Company received as consideration a 12% Convertible Debenture in the amount of $1,397,500 due May 31, 1988 and 2,074,400 common shares of Lathwell, representing 54.24% ownership. Lathwell plans to engage in mineral exploration throughout the world and petroleum exploration and production in the United States.

MANAGEMENT REPORT

The annual report and financial statements have been prepared by management and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the annual report including the financial statements.

Hermann G. Bessert
President and Chief Executive Officer

Keith E. Macdonald
Secretary-Treasurer

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1983

AUDITORS' REPORT

To the Shareholders of
First Calgary Petroleums Ltd.

We have examined the consolidated balance sheet of First Calgary Petroleums Ltd. as at June 30, 1983, and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at June 30, 1983, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
August 26, 1983

THORNE RIDDELL
Chartered Accountants

CONSOLIDATED BALANCE SHEET

JUNE 30, 1983

ASSETS

	1983	1982
CURRENT ASSETS		
Accounts receivable		
Revenue and joint interests	$ 655,465	$ 1,457,654
Government incentive credits	1,098,133	839,550
Sale of properties	—	600,000
Marketable securities	—	50,999
Current maturities on agreements for sale and notes receivable	783,674	437,424
	2,537,272	3,385,627
AGREEMENTS FOR SALE (Note 2)	509,964	947,388
NOTES RECEIVABLE FROM OFFICERS, EMPLOYEES AND DIRECTORS (Note 3)	381,250	964,500
LONG-TERM INVESTMENT (Note 5)	3,189,319	—
FIXED ASSETS (Note 6)	15,765,804	26,055,750
FINANCING COSTS	43,055	70,026
	$22,426,664	$31,423,291

Approved by the Board

Director

Director

LIABILITIES

	1983	1982
CURRENT LIABILITIES		
Bank indebtedness	$ 125,292	$ 1,254,010
Accounts payable and accrued charges	1,161,702	1,763,338
Current maturities on long-term debt	437,424	678,424
	1,724,418	3,695,772
DEFERRED PRODUCTION REVENUE (Note 7)	1,213,710	830,685
LONG-TERM DEBT (Note 8)		
Bank loans	8,560,000	9,228,000
12% convertible debenture	2,000,000	2,000,000
Notes payable on agreements for sale	947,388	1,384,812
	11,507,388	12,612,812
Less current maturities	(437,424)	(678,424)
	11,069,964	11,934,388
DEFERRED INCOME TAXES	2,492,817	2,501,217

SHAREHOLDERS' EQUITY

		1983	1982
CAPITAL STOCK (Note 9)			
Authorized			
1,000,000	Cumulative redeemable preferred shares at a par value of $10 each		
16,000,000	Common shares without nominal or par value		
Issued			
472,294	(1982 - 472,294) Series "B" 9% convertible preferred shares due December 31, 1991	4,722,940	4,722,940
5,942,268	(1982 - 5,962,268) common shares	10,005,249	10,038,849
CONTRIBUTED SURPLUS (Note 9)		33,239	24,000
DEFICIT		(8,835,673)	(2,324,560)
		5,925,755	12,461,229
		$22,426,664	$31,423,291

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED JUNE 30, 1983

	1983	1982
REVENUE		
Petroleum and natural gas sales	$ 6,344,580	$ 4,539,418
Less: royalties and production taxes	(2,279,023)	(1,684,268)
	4,065,557	2,855,150
Interest on agreements for sale and other income	199,504	339,813
	4,265,061	3,194,963
EXPENSES		
Petroleum and natural gas lifting and other production costs	658,996	661,918
General and administrative	619,329	644,182
Interest on bank loans and debenture	1,486,818	1,618,950
Interest on notes payable on agreements for sale	169,637	320,287
	(2,934,780)	(3,245,337)
Alberta royalty tax credit	1,212,001	766,577
FUNDS GENERATED FROM OPERATIONS	2,542,282	716,203
Charges not requiring funds		
Write-down of petroleum and natural gas properties (Note 4)	7,089,884	—
Depletion, depreciation and amortization	1,252,491	1,062,527
Deferred income taxes	324,700	155,891
Share of loss of subsidiary	48,956	—
	(8,716,031)	(1,218,418)
Loss before extraordinary items	(6,173,749)	(502,215)
EXTRAORDINARY ITEMS		
Tax benefits from application of losses carried forward from prior years	324,700	155,891
Write-down of notes receivable from officers, employees and directors (Note 3)	(237,000)	—
LOSS FOR THE YEAR	$ (6,086,049)	$ (346,324)
PER COMMON SHARE, based on the weighted average number of shares outstanding (Note 11)		
Loss before extraordinary items	$ (1.11)	$ (0.18)
Loss for the year	$ (1.10)	$ (0.15)
Funds generated from operations	$ 0.43	$ 0.13

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED JUNE 30, 1983

	1983	1982
WORKING CAPITAL DERIVED FROM		
Operations	$ 2,542,282	$ 716,203
Sale of petroleum and natural gas properties	1,154,800	723,939
Issue of 12% convertible debenture, net of issue expenses	—	1,929,974
Proceeds on disposition of wholly-owned subsidiary less working capital of $254,737 (Note 5)	2,179,963	—
Current maturities on notes receivable from officers, employees and directors	346,250	—
Increase in long-term debt	—	5,003,000
Agreements for sale	437,424	437,424
Deferred production revenue	383,025	385,311
	7,043,744	9,195,851
WORKING CAPITAL APPLIED TO		
Petroleum and natural gas properties and related equipment	2,172,196	8,485,777
Investment in Lathwell (Note 5)	2,434,700	—
Reduction of bank loan	427,000	241,000
Reduction of notes payable on agreements for sale	437,424	437,424
Preferred share dividends	425,064	507,564
Repurchase of common shares	24,361	—
Other	—	30,500
	5,920,745	9,702,265
INCREASE (DECREASE) IN WORKING CAPITAL	1,122,999	(506,414)
Working capital (deficiency) at beginning of year	(310,145)	196,269
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	$ 812,854	$ (310,145)

CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED JUNE 30, 1983

	1983	1982
DEFICIT AT BEGINNING OF YEAR	$ (2,324,560)	$ (1,470,672)
Loss for the year	(6,086,049)	(346,324)
Preferred share dividends	(425,064)	(507,564)
DEFICIT AT END OF YEAR	$ (8,835,673)	$ (2,324,560)

YEAR ENDED JUNE 30, 1983

1. ACCOUNTING POLICIES

(a) **Principles of Consolidation and Equity Accounting**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, First Calgary U.S.A., Inc., to the date of disposition on May 31, 1983 (see Note 5).

The Company received 54.24% of the issued and outstanding common shares of Lathwell Resources Ltd. ("Lathwell") as partial consideration on the disposition of First Calgary U.S.A., Inc. Since the date of acquisition (May 31, 1983), this investment has been accounted for using the equity method of accounting under which the investment is carried on the balance sheet of the Company at cost plus its share of the undistributed earnings or losses. This method of accounting is considered appropriate for this investment since the Company has in place a formal plan to reduce its holdings to less than 50% of the total issued and outstanding common shares of Lathwell.

(b) **Petroleum and Natural Gas Operations**

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on undeveloped properties, costs for drilling both productive and non-productive wells and all technical and administrative overhead directly related to exploration and development activities. Costs are accumulated on a country-by-country basis, and are amortized by the unit of production method based on estimated petroleum and natural gas reserves, as determined by Company engineers, and substantiated periodically by independent engineers, in each country; or are written-off to earnings if exploration activities are determined to be unsuccessful. No gains or losses are recognized upon the sale or disposition of petroleum and natural gas properties held for exploration and development except for transactions which result in major disposals of petroleum and natural gas reserves.

Substantially all of the exploration and production activities of the Company are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

(c) **Income Taxes**

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Company provides for deferred income taxes to the extent that income taxes otherwise payable are reduced by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions reflected in its accounts. Also, deferred income taxes amounting to $326,000 as at June 30, 1983 (June 30, 1982 - $466,130), have been provided in the accounts relating to a reserve which has been claimed for tax purposes on the agreements for sale (see Note 2).

(d) **Foreign Currency Translation**

Amounts in U.S. currency have been translated to Canadian dollars on the following basis:

(i) Current assets and current liabilities, at the rate of exchange in effect at the balance sheet date;

(ii) Fixed assets, at the rate of exchange in effect at the date on which the respective assets were acquired;

(iii) Revenue and expenses (excluding depreciation and depletion which are translated at the same rates as the related assets), at the average rate of exchange for the year.

(e) **Financing Costs**

Financing costs, with respect to an issue of a convertible debenture, are amortized on a straight line basis over the term of the debenture.

2. AGREEMENTS FOR SALE

By agreements dated December 20, 1977, the Company agreed to sell certain oil and gas properties for $2,100,000 which amount is receivable in 60 equal monthly installments commencing September 1, 1980, bears interest at 1-1/2% above a bank prime rate and is secured by the related properties. Interest accrued to September 1, 1980, at which time the amount then accrued was due under terms similar to those described above and bears interest at 1-1/2% above a bank prime rate (see Note 8(c)).

3. **NOTES RECEIVABLE FROM OFFICERS, EMPLOYEES AND DIRECTORS**

The notes have arisen from subscriptions for shares of the Company, are secured by the shares, are non-interest bearing and are due at the earlier date of termination of employment by the officers, employees and directors on March 12, 1986.

As at June 30, 1983, notes receivable totaling $583,250 from former officers, employees and directors were in default of payment. The Company intends to realize a portion of the principal on these notes through the sale of shares which are held as security. It is expected that the proceeds from the sale of these shares will approximate $346,250 and will be applied as a reduction of principal in the next fiscal year. Management is of the opinion that the remaining unpaid principal of $237,000 is uncollectable and, therefore, has been charged to earnings as an extraordinary item in 1983.

4. **WRITE-DOWN OF PETROLEUM AND NATURAL GAS PROPERTIES**

Under generally accepted accounting principles, the capitalized cost of petroleum and natural gas properties is limited to the present value of future net revenues from estimated production of reserves plus the lower of cost and estimated fair value of non-producing properties ("cost limitation").

During 1983, the carrying value of the Company's petroleum and natural gas properties in the United States cost centre was written-down by $7,089,884 prior to disposition (see Note 5) to the cost limitation as determined from estimates prepared by independent consulting engineers and, as to certain properties, to estimated realizable value as determined by management.

5. **LONG-TERM INVESTMENT**

Effective May 31, 1983, the Company sold all of its interest in its wholly-owned United States subsidiary to Lathwell and received, as consideration, a 12% convertible debenture in the principal amount of $1,397,500 and 2,074,400 common shares of Lathwell, which represented 54.24% of the then total issued and outstanding common shares.

For accounting purposes, the investment in Lathwell has been recorded at an amount equal to the carrying value of the net assets of this subsidiary at the date of disposition and, accordingly, no gain or loss on disposition has been recognized.

The investment in Lathwell comprises:

2,074,400 common shares	$ 1,037,200
12% Convertible debenture due May 31, 1988	1,397,500
Excess consideration paid over underlying net book value, net of amortization	796,879
Share of losses since date of acquisition	(42,260)
	$ 3,189,319

6. **FIXED ASSETS**

	1983			1982
	Cost	Accumulated Depletion and Depreciation	Net	Net
Petroleum and natural gas leases and rights including exploration, development and equipment thereon				
Canada	$19,305,500	$(3,539,696)	$15,765,804	$16,987,769
United States	—	—	—	9,067,981
	$19,305,500	$(3,539,696)	$15,765,804	$26,055,750

General and administrative expenses relating to the exploration, development and land acquisition activities of the Company have been capitalized and included in the cost of properties. General and administrative costs capitalized were $606,000 and $1,023,000 in 1983 and 1982, respectively. No interest charges have been capitalized.

7. **DEFERRED PRODUCTION REVENUE**

Under certain gas sales contracts, the purchaser commits to take delivery of specified minimum volumes of gas. If such volumes are not taken, a payment is made by the purchaser to the vendor for the difference between the volume of gas taken and the minimum agreed to be taken. Amounts received in respect of volumes not taken in accordance with minimum amounts designated under contracts are deferred until the earlier of such time that quantities are taken by the purchaser or the amounts are repaid.

Pursuant to the provisions of certain gas purchase contracts as amended by an arrangement among the Company, TransCanada Pipelines Limited ("TransCanada") and Topgas Holdings Limited, $1,213,710 has been received for gas to be delivered at future dates. The Company is required to deliver a minimum of 10% of the prepaid gas outstanding as of June 30, 1983, in each contract year commencing November, 1984. The interest applicable to the financing of these prepayments is effectively recovered as part of TransCanada's Alberta cost of service charge which charge has been netted against petroleum and natural gas revenue in the accompanying financial statements.

8. **LONG-TERM DEBT**

(a) The bank loan is evidenced by demand promissory notes, bearing interest at 1/2% above bank prime rate and is secured by the Company's interest in certain Canadian petroleum and natural gas properties and a general assignment of accounts receivable. Repayments of the principal amount are due in quarterly installments beginning on March 31, 1985 and are estimated as follows:

1985 - $1,080,000; 1986 - $2,160,000; 1987 - $2,280,000;
1988 - $2,520,000; 1989 - $520,000

(b) The $2,000,000 convertible debenture matures March 12, 1985, bears interest at 12% per annum, payable semi-annually and is secured by a floating charge against all the assets and undertakings of the Company which charge is subordinated to the bank loan of the Company. The Company may create additional debt in the aggregate amount of $8 million to rank equally with but not prior to the debenture. A portion of the debenture is convertible into common shares in the capital stock of the Company (not to exceed 588,253 common shares in total) at a price of $2.90 per share and certain restrictions are placed on the payment of dividends. The Company may redeem at anytime the debenture in whole at 118% of the principal amount.

The debenture holder has an option to receive up to a maximum of 70,000 common shares of the Company in satisfaction of the semi-annual interest payment. Under certain conditions, the number of shares to be issued under this provision can be reduced at the option of the Company.

(c) Notes payable on agreements for sale (see Note 2) are non-recourse and bear interest at 1-1/2% above a bank's prime rate. The notes are payable only out of proceeds received on the agreements for sale and no other claim exists against the assets of the Company.

9. **CAPITAL STOCK**

(a) Changes in the outstanding common shares of the Company during the year were as follows:

	Number of Shares	Amount
Balance at June 30, 1982	5,962,268	$10,038,849
Repurchase for cash for cancellation (i)	(20,000)	(33,600)
Balance at June 30, 1983	5,942,268	$10,005,249

(i) The difference of $9,239 between the cost of the shares repurchased and their assigned value has been credited to contributed surplus.

(b) Each Series "B", 9% Convertible Preferred Share is convertible into 3.3 common shares of the Company until December 31, 1985.

(c) As of June 30, 1983, common shares of the Company are reserved as follows:

1,558,570	Shares for issue on conversion of the Series "B" preferred shares.
297,113	Shares for issue to officers and employees under the Company's Employee Incentive Share Option Plan, of which options to purchase 56,000 shares were outstanding and exercisable from time to time until 1985 at $1.75 per share.
225,000	Shares for issue under options granted to each of an officer and director and a director for services rendered or to be rendered on behalf of the Company, and exercisable from time to time until 1985 at prices ranging from $3.05 to $4.25 per share.
588,253	Shares for issue on conversion of 12% convertible debenture maturing March 12, 1985.
280,000	Shares for issue in satisfaction of interest payments on the 12% convertible debenture maturing March 12, 1985.
2,948,936	

10. **INCOME TAXES**

As at June 30, 1983, the Company had an aggregate of $3,000,000 of exploration and development expenses, earned depletion, undepreciated capital costs and loss carryforwards available for deduction against future income from Canadian sources (all subject to final determination by taxation authorities). All potential tax benefits arising from losses incurred in prior periods have now been fully recognized in the accounts.

11. **LOSS PER COMMON SHARE**

Loss per common share is calculated after deduction from the reported loss of prescribed dividends on preferred shares. Fully diluted loss per share figures have not been presented as the effect of the conversion of the preferred shares and the options referred to in Note 9 would be antidilutive.

12. **STATUTORY INFORMATION**

During the year, directors and senior officers (including the five highest paid employees) of the Company received remuneration of $426,317 (1982 - $468,436).

13. **SEGMENTED INFORMATION**

The Company's business activity is the exploration for and the development of oil and gas reserves. This activity comprises a single business segment.

Operations by geographic region are as follows (in thousands of Canadian dollars):

	1983		
	Canada	**U.S.A.**	**Total**
Petroleum and natural gas sales	$ 3,695	$ 371	$ 4,066
Net operating income (loss)	$ 2,137	$ (7,073)	$ (4,936)
Interest and other income			199
General and administrative			(619)
Interest expense			(1,656)
Alberta royalty tax credit			1,212
Deferred income taxes			(325)
Share of loss of subsidiary			(49)
Loss before extraordinary items			$ (6,174)

	1982		
	Canada	U.S.A.	Total
Petroleum and natural gas sales	$ 2,773	$ 82	$ 2,855
Net operating income (loss)	$ 1,166	$ (35)	$ 1,131
Interest and other income			340
General and administrative			(644)
Interest expense			(1,939)
Alberta royalty tax credit			766
Deferred income taxes			(156)
Loss before extraordinary items			$ (502)

14. **RELATED PARTY TRANSACTIONS**

(a) The Company has participated with one corporation, in which an officer and director of the Company has a beneficial interest, as a joint venture partner in the exploration and development of a prospect. The terms and conditions of the joint venture agreement were in accordance with standard industry practice.

(b) A director is a partner in a legal firm providing services to the Company. Fees charged in 1983 and 1982 were $40,066 and $14,430, respectively.

(c) During 1983, the shares of a United States wholly-owned subsidiary were sold to Lathwell, a company in which certain directors and officers of the Company have an interest. The Company and Lathwell also have some common directors and, in addition, the Company has agreed to manage the U.S. oil and gas properties of Lathwell which properties had been acquired by Lathwell from the Company. At June 30, 1983, the Company had advanced $113,150 (included in accounts receivable) to Lathwell to pay for the costs of a proposed public underwriting which advances will be repaid out of proceeds received by Lathwell from the offering.

15. **SUBSEQUENT EVENTS**

Subsequent to June 30, 1983:

(a) The Company issued options to purchase 200,000 common shares under the Employee Incentive Share Option Plan. The options are exercisable from time to time until December 31, 1986 at $1.75 per share, and;

(b) The option price for 225,000 shares issued under options to each of an officer and director and a director was reduced to $1.75 per share from prices which previously ranged from $3.05 to $4.25 per share. The period of exercise for 200,000 shares was extended to December 31, 1986 from December 31, 1985.

These transactions are subject to shareholder approval at the next Annual General Meeting of the Shareholders.

CORPORATE INFORMATION

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SUBSIDIARY

Lathwell Resources Ltd. (54.24%)

BANKING

Bank of British Columbia
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Canada Permanent Trust Company
Calgary, Alberta & Toronto, Ontario

AUDITORS

Thorne Riddell, Chartered Accountants
Calgary, Alberta

SOLICITORS

Parlee, Irving, Henning, Mustard & Rodney
Calgary, Alberta

STOCK EXCHANGES

Toronto Stock Exchange
Alberta Stock Exchange

TRADING SYMBOLS

Common — FCP
Series B, Preferred — FCPprA

CANADIAN OWNERSHIP RATE

100%

PRINTED IN CANADA

FIRST CALGARY PETROLEUMS LTD.

INFORMATION CIRCULAR

This circular is provided pursuant to the Companies Act (Alberta) in connection with the solicitation of proxies for the Annual General Meeting of the Shareholders of First Calgary Petroleums Ltd. (the "Company") to be held on Wednesday, May 30, 1984, at 3:00 in the afternoon (Calgary time) in the Boardroom of the 400 Club, 710 -Fourth Avenue S.W., Calgary, Alberta..

Persons Making the Solicitation

This solicitation of proxies is made by management of the Company and the costs thereof will be borne by the Company.

Appointment and Revocation of Proxies

A SHAREHOLDER HAS THE RIGHT TO APPOINT A NOMINEE (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE ENCLOSED PROXY FORM BY STRIKING OUT THE WORDS "HERMANN G. BESSERT OF CALGARY, ALBERTA, OR FAILING HIM, MATTHEW J. TRONIAK OF CALGARY, ALBERTA", AND INSERTING THE NAME OF HIS CHOSEN NOMINEE IN THE SPACE PROVIDED FOR THAT PURPOSE ON THE FORM, OR BY COMPLETING ANOTHER PROPER FORM OF PROXY.

A form of proxy will not be valid unless it is completed and delivered to the Canada Permanent Trust Company, 311 Sixth Avenue S.W., Calgary, Alberta, T2P 0R6, not less than forty-eight (48) hours (excluding Saturdays and Sundays) before the time of the meeting.

A shareholder who has given a proxy, may revoke it anytime before it is exercised, by instrument in writing executed by the shareholder or by his attorney in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the head office of the Company at anytime up to forty-eight (48) hours (excluding Saturdays and Sundays) preceding the day of the meeting, or adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

BUSINESS OF THE ANNUAL MEETING OF THE SHAREHOLDERS

1. **Approval of Financial Statements**

   The shareholders will be asked to receive, consider and, if thought fit, to vote to approve the Report of the Directors, the Financial Statements for the year ended December 31, 1983, together with the Report of the Auditors thereon.

2. **Appointment of Auditors**

   The shareholders will be asked to vote for the appointment of Thorne Riddell, Chartered Accountants, of Calgary, Alberta, as auditors of the Company at a remuneration to be fixed by the Directors. Thorne Riddell have been auditors of the Company since it commenced business and were appointed for the preceding period at the Annual Meeting held November 23, 1983.

3. **Election of Directors**

   At present, the Board of Directors consists of nine (9) members, all of whose term of office expires at the time of the Annual Meeting. It is proposed that the eight (8) persons listed below will be nominated for election as Directors of the Company to serve until the next Annual Meeting. Unless authority to vote has been withheld, the share represented by proxy will be voted for the election of said nominees. Management does not comtemplate that any of the nominees will be unable to serve as Director, but, if that should occur for any reason prior to the Annual General Meeting, the persons named in the enclosed form of proxy reserve the right to vote for other nominees in their discretion. Mr. McIlhargey has left the Company to pursue other business interests, has resigned from his position on the Board, and will not be standing for re-election.

4. **Change of Fiscal Year End**

   The shareholders will be asked to vote to approve the change of the year end of the Company from June 30th to December 31st. In the opinion of management, this change will result in the Company conforming with general industry practice, thereby facilitating governmental, institutional and investor reporting.

5. **Granting of Option**

The shareholders will be asked to vote to approve and ratify the decision of the Board of Directors to grant Mr. Matthew J. Troniak, the new Secretary-Treasurer, options to purchase 20,000 common shares at $1.75 per share pursuant to the terms of the Employee Stock Option Plan.

6. **Other Business**

The transaction of such other business as may properly come before the meeting, or an adjournment or adjournments thereof.

BACKGROUND INFORMATION

A. **Nominees for Directors**

Information is given below with respect to each nominee for election as a Director, including the length of time he has been a Director of the Company.

Name and Present Principal Occupation	Period served as Director	No. of Shares of the Company beneficially owned directly or indirectly, as at April 16, 1983	
James D. Kadlec, Chairman of the Board of the Company	Since July 31, 1979	Common	25,282
Hermann G. Bessert, President and Chief Executive Officer of the Company	Since July 31, 1979	Common	42,141
J. Ronald Woods, Senior Vice President, Merit Investment Corporation	Since March 26, 1980	Common	85,000
		Series "B" Preferred	22,300
J.E. (Ted) Baugh, President, Ted Baugh Resource Consultants Ltd.	Since March 29, 1982	Common	1,000
Joseph M. Tanenbaum, Chairman, York Russel, Inc.	Since June 29, 1982	Common	680,336
		Series "B" Preferred	106,903
James A. Cox, Q.C., Senior Partner, Parlee, Irving, Henning, Mustard and Rodney, Barristers and Solicitors	Since July 20, 1982	Common	2,500
E. Donald Patten, Executive Vice President & Investment Chairman, Family Life Assurance Group	Since July 20, 1982	None	
William J. Deyell, Retired Executive Vice President, Foothills Pipeline (Yukon) Ltd.	Since June 1, 1983	Common	8,000

NOTE: The information as to shares beneficially owned or over which they exercise control or direction not being within the knowledge of the Corporation has been furnished by the respective Director individually.

B. **Options to Purchase Common Shares**

The following sets forth the outstanding options to purchase shares of the Company including of the options to be granted to Matthew J. Troniak.

The Company has reserved a maximum of 10% of the issued and outstanding common shares for issuance as incentives to key Directors, Officers and Employees.

a) The Company has established an Employee Incentive Share Option Plan under which 5% of the issued and outstanding common shares are reserved for issuance. The following options are outstanding:

	Number of Shares	Exercise Price	Date Granted	Date Option Expires	Market Price Date of Grant
Two Senior	200,000	$1.75	83/07/01	86/12/31	$1.25
Officers	20,000(1)	$1.75	82/03/29	85/06/85	$1.30
Three Employees	15,000(1)	$1.75	82/03/29	85/06/30	$1.30
M.J. Troniak	20,000	$1.75	84/04/09	87/03/31	$1.09
TOTAL	255,000				

(1) The term is for three years with a maximum of 50% exercisable on or after June 30, 1983, and the balance exercisable on or after June 30, 1984. There is one additional year after the latter date to exercise the option in full.

b) The Company granted options to purchase common shares for services rendered or to be rendered on behalf of the Company as follows:

	Number of Shares	Exercise Price	Date Granted	Date Option Expires	Market Price Date of Grant
Officer and Director (2)	200,000	$1.75	83/07/01	86/07/01	$1.25
Director (1)	25,000	$1.75	82/03/29	85/03/29	$1.30
TOTAL	255,000				

C. **Voting Shares and Principal Holders Thereof**

The Company has an authorized capital consisting of 1,000,000 cumulative redeemable preferred shares of a par value of $10.00 each and 16,000,000 common shares without nominal or par value. There are issued and outstanding, as of April 16, 1984, 471,694 Series "B", convertible preferred shares and 5,944,248 common shares.

Holders of common shares and Series "B" convertible preferred shares are entitled to one (1) vote for each share held.

Shareholders of record at the close of business on April 16, 1984, will be entitled to vote at the Annual General Meeting.

To the knowledge of the Directors and Senior Officers of the Company, as at April 16, 1984, the following are the only persons or companies who beneficially own, control or exercise direction over shares carrying more than 10% of the voting rights attached to any class of voting shares of the Company.

Name of Shareholder	Class and Approximate No. of Shares		Percentage of Outstanding Shares Represented by the Number of Shares So Owned, Controlled or Directed
Cascade Development Corporation Ltd.	Common	2,387,128	40.2
	Series "B" Preferred	15,531	3.3
Joseph M. Tanenbaum	Common	680,336	10.8
	Series "B" Preferred	106,903	22.6

D. **Remuneration of Directors and Officers**

The following chart summarizes the total compensation received by all Directors and the five most Senior Officers (which includes all Officers who receive remuneration in excess of $50,000) of the Company during its most recent completed fiscal year and the current fiscal year:

	From Office, Employment and Employer Contributions (aggregate)	Other (aggregate)
	Last Completed Fiscal Year (12 months ended June 30, 1983)	
(1) Directors (Total No: 9)	$ 6,000	$ 40,787
(2) Five Senior Officers	$379,530	—
TOTAL	$385,530	$ 40,787
	Current Fiscal Year (6 months ended December 31, 1983)	
(1) Directors (Total No: 9)	$ 4,500	$ 14,814
(2) Five Senior Officers	$191,050	—
TOTAL	$195,550	$ 14,814

E. **Indebtness of Directors and Senior Officers**

The following Officers and Directors were indebted in amounts exceeding $25,000 during the period July 1, 1983, to December 31, 1983 on account of loans to purchase shares of the Company as follows:

Officer and Municipality of Residence	Largest Balance During Period	Balance as at December 31, 1983
J.M. McIlhargey Calgary, Alberta	$ 305,000	$ 305,000
H.G. Bessert Calgary, Alberta	$ 76,250	$ 76,250

The notes receivable in respect of these loans are secured by the shares acquired, are non-interest-bearing and are due at the earlier date of termination of employment or on March 12, 1986.

F. **Management Contracts**

Agreement dated July 1, 1983, with Mr. Hermann G. Bessert, for a period of twenty-four months from July 1, 1983 to June 30, 1985, and thereafter he shall provide the Company with at least six months notice of his intention to resign, pursuant to which Mr. Bessert agreed to provide services as President and Chief Executive Officer of the Company. As consideration, Mr. Bessert will be paid a monthly fee of $10,000.

Agreement dated July 1, 1983, with Worldwide Financial Services, for a period of twenty-four months from July 1, 1983 to June 30, 1985, pursuant to which Worldwide has agreed to provide the services of Mr. James D. Kadlec as Chairman of the Board of the Company. As consideration, Worldwide is paid a monthly fee of $5,000. Worldwide is a sole proprietorship registered in Alberta, and Mr. Kadlec is the sole proprietor.

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